
Can Europe compete?
Get smarter or get poorer
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Aboriginal affairs
Trying to solve ancient conflicts
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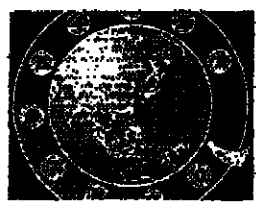

Today's surveys
Asia-Pacific telecoms *Kuwait*
Separate sections

TOMORROW'S
Weekend FT
Venice – the city that has done nothing

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY FEBRUARY 25 1994 — D8523A

Malaysia to refuse further contracts for UK companies

Malaysia is planning to refuse to award further contracts to British companies because of its fury with British press reports alleging that bribes have been offered to Malaysian politicians. The announcement will be made by deputy prime minister and finance minister Anwar Ibrahim (left) today.

The Foreign Office was last night making final attempts to head off a move which could cost British companies hundreds of million pounds in lost business. Page 16

RJR Reynolds, US tobacco and food group best known for its Camel cigarette brand, announced a $2bn share issue that could signal the start of an acquisition spree. Page 17

Royal Dutch Shell warned that oil prices are likely to remain at their depressed levels for much of this year as the company announced a sharp decline in results for the final quarter of last year. Page 17; Lex, Page 16

Weak sterling aids ICI profits: A weak sterling and cost-savings from restructuring pushed ICI's full year pre-tax profits to £290m. The figure excludes businesses sold or demerged last year, such as drugs company Zeneca, and compares with £163m in 1992 on the same basis. Page 17; Lex, Page 16

Moscow set to resume gold swaps: Russia is negotiating to resume gold swaps for the first time since the Soviet Union's collapse in order to help finance its budget deficit. Page 3

Philips in cable TV venture: Dutch electronics group Philips is joining forces with United International Holdings of the US to invest in cable television infrastructure in about a dozen European countries. Page 6

Granada poised to win LWT: UK entertainment group Granada looked set to win its £750m hostile bid for London Weekend Television after Mercury Asset Management accepted the offer for its 14.2 per cent stake. Page 17

India urged to press on with reforms: India must press ahead with further economic liberalisation, trade reforms, cuts in subsidies and reductions in public borrowing, the government's annual economic survey says. Page 5

US durable goods orders rise: New orders for US durable goods rose 3.7 per cent between December and January – more than expected in financial markets – but the figures were distorted by a surge in aircraft orders. Page 7

TNT back in profit: Australian transport group TNT, which has been pruning its activities to reduce heavy borrowings, reported interim net operating profits before abnormal items of A$25.5m (US$18.3m) compared with a loss of A$9.81m in the same period of 1992. Page 21

Union Minière to sell US zinc operations: Belgian metals group Union Minière is to sell its US zinc operations to Savage Resources of Australia for $200m. Page 19

Spain may offer Repsol shares: The Spanish government is considering an international offering of Repsol shares that could reduce the public sector's holding in the energy and chemicals group from 41.1 per cent to 20 per cent. Page 17

Mexican rebels win concessions: Zapatista rebels who led an uprising last month in Mexico's Chiapas state, said the government had conceded about a quarter of their demands for better health facilities' education and housing, after three days of talks. Page 7

Woolwich advances 46%: Woolwich building society reported annual pre-tax profits up 46 per cent to £217m, due to lower provisions for bad debts and improved performances from its subsidiaries. Page 25

Bass and Grolsch in joint venture: Bass, the UK's largest brewer, is to form a joint venture company with Dutch brewer Grolsch to brew and market Grolsch lager in the UK. Page 25

West Indies win first Test: West Indies won the first cricket Test against England in Jamaica by eight wickets. They ended the fourth day's play eight runs short of victory and completed the task yesterday in 32 balls.

■ STOCK MARKET INDICES		
FT-SE 100:	3,267.5	(-74.4)
Yield	3.63	
FT-SE Eurotrack 100	1,456.74	(-32.38)
FT-SE-A All-Share	1,650.46	(-1.9%)
Nikkei	19,765.48	(+423.65)
New York: lunchtime		
Dow Jones Ind Ave	3,851.16	(-40.52)
S&P Composite	466.25	(-4.67)
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.436%	
Long Bond	94⅝	
Yield	6.680%	
■ LONDON MONEY		
3-mo Interbank	5¼%	(5⅛%)
Liffe long gilt future:	Mar 112⅛	(Mar 114⅜)
■ NORTH SEA OIL (Argus)		
Brent 15-day April	$13.58	(13.405)
■ Gold		
New York Comex April	$377.5	(378.9)
London	$378.10	(378.45)

■ STERLING		
New York lunchtime:		
$	1.4858	
London:		
$	1.4796	(1.4766)
DM	2.5695	(2.5513)
FFr	8.6986	(8.5689)
SFr	2.1442	(2.1452)
Y	155.876	(155.813)
£ Index	80.9	(80.6)
■ DOLLAR		
New York lunchtime:		
DM	1.71775	
FFr	5.83775	
SFr	1.4345	
Y	105.10	
London:		
DM	1.7366	(1.7279)
FFr	5.879	(5.871)
SFr	1.4479	(1.4528)
Y	105.35	(105.525)
$ Index	66.6	(66.5)
Tokyo close Y 105.40		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000	UAE	Dh12.00

Russia is promised improvement in living standards and continued reform

Yeltsin returns to state tradition

By John Lloyd in Moscow

President Boris Yeltsin yesterday signalled a shift back to the "strong state" traditions of Russia and the Soviet Union, in a speech to parliamentary deputies. The speech may have stolen some ideological clothes from the nationalist opposition but also claimed fidelity to radical economic reform.

He spoke amid uncertainty over whether the amnesty declared on Wednesday by the Russian parliament would release those – including former vice president Alexander Rutskoi and Mr Ruslan Khasbulatov, former Supreme Soviet chairman – at present held awaiting trial for their part in the revolt of parliament against the presidency last October.

Mr Yuri Baturin, Mr Yeltsin's legal aide, was quoted by the Itar-Tass news agency as saying that the decision could be annulled on legal grounds, because parliament had in effect pardoned the alleged plotters, a right which belongs only to the president. However, Mr Alexander Yakovlev, a constitutional expert who is Mr Yeltsin's emissary to parliament, said the decision was legal and had to be carried out.

The issue overshadowed the long-awaited speech. Mr Yegor Gaidar, the former first deputy prime minister, speaking in Germany said the decision was "a potential cause of civil war".

Mr Yeltsin's toughest remarks in the 50-minute state of the nation speech were in passages on foreign policy.

In his most unambiguous vein, he warned that any further expansion of Nato would be a "path towards new threats for Europe and the world". In a similarly stark passage on the 25m Russians living beyond Russia's borders in the former Soviet states, he said that Russia would use "not words, but deeds" to stop discrimination against them, and to guard their civil rights.

A strengthened state, which was said to be necessary to address everything from instability in the neighbouring countries caused by rising crime to the need for economic regulation of the market process, was a theme which ran throughout the address. Mr Yeltsin spoke steadily but without obvious emotion, and seemed recovered from a recent illness.

Passages on the economy included "the crisis cannot be overcome as long as inflation remains high" and "enterprises must stop producing products which no one needs". The remarks signify a continued commitment to radical reforms in spite of signs that the government is bowing to demands from the industrial and agricultural lobbies for increased credits.

The president also told his cabinet that improving living standards was a key task of the year.

In remarks which briefly echoed the programme of Mr Vladimir Zhirinovsky's ultra-nationalist Liberal Democratic party, Mr Yeltsin called for the mobilisation of all resources in the fight against crime and for a greater concentration on the sale of arms abroad to fund social and other programmes at home.

The strengthening of the state would, he said, draw together the federation and would unite the government and the parliament

Continued on Page 24
Yeltsin offers little for west, Page 3
Editorial Comment, Page 15

Supervisory board of Metallgesellschaft was misinformed, its chairman claims

Former managers 'misled' group

By David Waller in Frankfurt

Associated Press
Members of the Metallgesellschaft supervisory board listen to criticism over losses on oil speculation at yesterday's shareholders' meeting

The former management of Metallgesellschaft, one of Germany's biggest industrial groups, altered documents and gave misleading information to its supervisory board, the chairman told shareholders yesterday.

Mr Ronaldo Schmitz, the Deutsche Bank director who has been chairman of the Metallgesellschaft supervisory board since March, claimed that the former management had taken actions "so patently harmful to the group" that they may face criminal charges.

He was speaking to about 2,000 shareholders of the Frankfurt-based metals, mining and industrial conglomerate at a heated special meeting.

The meeting, which was continuing last night, was convened to approve a DM3.4bn ($1.93bn) rescue package negotiated after the group nearly collapsed. The crisis was triggered by speculative trading in oil futures by MG Corp, the group's US trading subsidiary, which gave rise to losses of DM2.3bn.

The supervisory board was criticised at the meeting by some shareholders who called for the resignation of Mr Schmitz and other members. It was the first time that Mr Schmitz responded to criticism of the supervisory board's role in failing to prevent the debacle.

Mr Schmitz rebutted the charge that the supervisory board had failed properly to monitor Mr Heinz Schimmelbusch, the group's former chief executive who was dismissed on December 17 last year, with other board members. He claimed that the level of supervision was constantly being raised in 1993.

"It was nonetheless during this time that that the company massively expanded its oil futures operations, which the management board had a duty to report," Mr Schmitz said. "It did not do this. Moreover the supervisory board was deceived with deliberately falsified information and was therefore prevented from intervening in time."

He said he then had no grounds to disbelieve Mr Schimmelbusch. It was now known that minutes of management board meetings, provided to Mr Schmitz from the end of May last year at his request, had been tampered with, he claimed.

"[These documents] had been censored in important passages such that they did not correspond to the the actual course of the meetings or to the essential message of the original board meeting minutes," Mr Schmitz explained. "In the monthly reports business developments at MG Corp were reported in passing and without any indication of peculiarities, such as the increasing commitment of funds for futures in the US."

Oil futures commitments increased eightfold to 160m barrels in the 1992-93 financial year. It was unclear when the oils business became a serious financial risk, Mr Schmitz said.

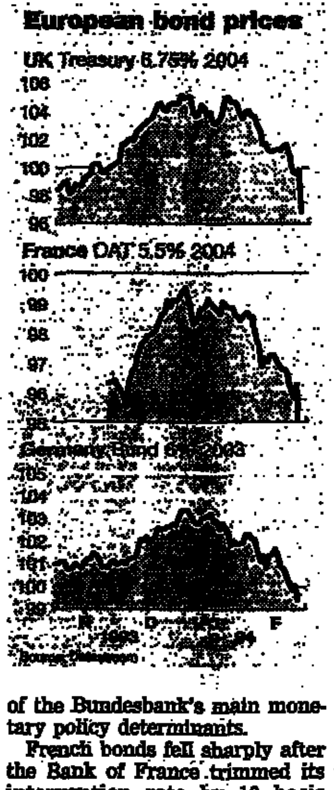
Mr Schimmelbusch had not informed him of a liquidity squeeze until December 3 last year, he said.

ICI profit rise, Page 17
On the defensive, Page 18

Bond market slide drags equities down

By Conner Middelmann, Terry Byland and John Pitt in London

European bond prices



Heavy selling in the futures markets pushed European government bond prices sharply lower yesterday and sparked a fall in share prices.

UK government bonds, known as gilts, posted the biggest losses, with longer-dated issues falling by more than 2¼ points.

Wednesday's slide in US Treasuries, combined with fears that UK interest rates would not fall further and could even rise, triggered early selling in London which was later exacerbated by weakness on the continent. The Liffe March gilt futures contract dropped by 2⅜ points to 111⅜.

The fall in bond markets across Europe prompted the largest one-day fall in UK equities for the past 16 months. The FT-SE 100 Index fell 74.4 to 3,267.5, closing around its low point of the day. The FT-SE 100 is now around 7.7 per cent below the trading peak of 3,539.2 at the beginning of this month.

Other European government bond markets also fell heavily, with traders reporting heavy selling by US hedge funds – pools of private investor funds which can be highly geared – and by European institutional investors.

Nervousness in the bond markets has been sparked by the recent rise in US short-term interest rates and worries about a pick-up in US inflation.

German government bonds fell sharply on worries over potential turmoil in Russia and the prospect of unfavourable economic data. Next week sees the release of January M3 money supply, one of the Bundesbank's main monetary policy determinants.

French bonds fell sharply after the Bank of France trimmed its intervention rate by 10 basis points to 6.1 per cent, on disappointment over the small size of the cut. The March French bond futures contract on the Matif exchange dropped by 1.04 points to 126.94.

European equity markets also weakened yesterday.

Lex, Page 16; Bonds, Page 22; Currencies, Page 36; World stocks, Page 40; London stocks, Page 29

Bell and TCI drop plans for merger

By Louise Kehoe in San Francisco

Bell Atlantic and Tele-Communications scuttled what was to have been the biggest US telecommunications merger solely because of the Federal Communications Commission's action, earlier this week, to lower cable television rates by 7 per cent, the companies claimed yesterday.

The FCC action reduced the anticipated cash flow of TCI, the largest US cable television service company, said Mr James Cullen, president of Bell Atlantic. This significantly reduced the valuation placed on TCI in the merger talks, which was based on a formula relating to cash flow, he explained.

"We and TCI realised that the price would have to drop. We were in agreement on that, but the price came down to a point where TCI felt it could no longer recommend the deal to its shareholders," said Mr Cullen.

The companies declined to reveal the final valuation of the deal, which was originally between $20bn and $30bn.

Before Tuesday's announcement by the FCC, both Bell Atlantic and TCI had settled "all substantial issues, including price" and had even arranged board meetings, for today and Saturday, to approve definitive agreements, he said.

Mr Cullen denied a personality

Continued on Page 16

Radical reform of US export licensing proposed

By Nancy Dunne in Washington

The Clinton administration yesterday proposed the most comprehensive overhaul of the US export licensing regime in 15 years and announced an immediate liberalisation of controls on computers and supercomputers.

The main objective of the proposals, which would constitute a long-overdue revision of the Export Administration Act, the legal underpinnings for export controls, is to curb the proliferation of weapons of mass destruction. Past efforts have focused on keeping high technology out of the hands of the communist countries.

However, the Computer and Communications Industry Association yesterday said the proposals did not go far enough. "There will always be unfriendly countries and dangerous individuals in the world, but the threat to our security and survival has radically declined," it said.

The new regime will eliminate the distinction between national security and foreign policy controls, which the US imposes unilaterally, and focus on multilateral non-proliferation control.

The Paris-based Co-ordinating Committee for Multilateral Export Controls (Cocom) is due to go out of existence at the end of the month, to be replaced by an expansion of multilateral groups such as the current Nuclear Supplier Group and the Missile Technology Control Regime. The administration and its allies are discussing the establishment of a third group to control trade in dual use technology and conventional weapons.

If Congress accepts the administration's plan, the balance between the needs of high technology exporters and the claims of national security will shift decisively in favour of business.

A group set up to settle disputes over controversial licences will be chaired by the Commerce Department instead of the National Security Council as in past administrations. Unilateral controls will be reviewed annually and discontinued if

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NEWS: EUROPE

Germany opens up public road projects

By Quentin Peel in Bonn

The German government yesterday gave the green light for private contractors to build and operate toll tunnels, bridges and mountain passes to extend the country's highway system in an important new move to extend private-sector involvement in the public infrastructure.

A draft law was approved by the cabinet in Bonn as part of the government's drive to deregulate and privatise wider sectors of the economy. It is intended to accelerate construction of road projects, such as the proposed DM10bn (£3.8bn) tunnel under the Ruhr valley, which otherwise would be delayed because of the acute squeeze on public finances.

At the same time the cabinet approved plans to step up its overall privatisation programme, giving top priority to the sale of Deutsche Lufthansa, the national airline, the Rhine-Main-Danube canal operator, the Bundesanzeiger publishing house, and the state company controlling motorway service stations.

The plan to step up private financing and operation of road projects, and to allow the introduction of toll charges, comes on top of a decision last year to seek private-sector financing for 12 large road projects, including the fourth tunnel under the Elbe at Hamburg.

German industry was more optimistic about its outlook in January, reporting better export prospects and improved tendencies in orders, the IFO economic research institute said in its latest monthly survey, Reuter reports from Munich. Positive reports on the business climate narrowly exceeded negative ones for the first time for many months. There were few reports of plans to curtail production.

Those 12 projects, costing a total of almost DM3.9bn, would not be privately operated, but would instead be bought back by the government over 15 years after their completion, on the basis of a leasing model.

Mr Matthias Wissmann, the transport minister, said the new move would extend the whole area of private involvement in the road network, although still not yet allowing construction of toll roads: the projects would be limited to bridges, tunnels and mountain passes linked to the main highway system.

The government's draft law will now be submitted to the parliamentary groups of the ruling coalition to refine and send direct to parliament, in order to speed up the normally cumbersome legal process, and ensure the bill becomes law before the next elections in October.

Mr Wissmann said that the plan to allow private toll operators as part of the public highway network would mean the private sector could remove expensive bottlenecks in the system.

The plan was immediately denounced by the opposition. Ms Ingrid Matthäus-Maier, deputy leader of the Social Democratic opposition in the Bundestag, said it was another blatant example of the government shifting its bills to the consumer – in this case, the ordinary motorist.

The rest of the government's privatisation programme may prove difficult to push through before the October elections, officials admitted yesterday.

Mr Theo Waigel, the finance minister, said that conditions on the stock exchange, and the results of drastic cost-cutting, made the sale of Lufthansa particularly attractive. However, it depends on highly sensitive and complex negotiations on the future financing of the airline's pension funds, which may well take months to conclude.

Mr Dieter Vogel, the government spokesman, would only say yesterday that the big privatisation projects would be "prepared" rather than "completed" in the coming months.

The rise and rise of Berlusconi

Robert Graham on growing support for Italian media magnate's new political party

ITALIAN ELECTIONS March 27

"Watching our support grow has been like looking at a temperature gauge that climbs up and up," says an exultant Roberto Lasagna, campaign manager for media magnate Silvio Berlusconi's Forza Italia movement.

As the campaign for Italy's general elections on March 27 opens today, Mr Lasagna claims his organisation's polls give Mr Berlusconi and Forza Italia at least 35 per cent of the vote nationwide.

If sustained over the next month such support would give the 57-year-old owner of the Fininvest media group, who entered the ring only in January, a good chance of heading the next government.

"There is no precedent in Europe of an entrepreneur entering politics like this, so close to an election and with a completely new political movement," says Mr Lasagna. "Within less than four months of being created, one in three voters who have made their minds, is backing Forza Italia."

The sudden impact of Mr Berlusconi owes something to his novelty value at a time when Italy's traditional parties have collapsed and their leaders have been discredited by corruption scandals. He is a genuinely new face even if he is a household name because his Fininvest media group controls 85 per cent of commercial television. The secret of his success is the way he has exploited his wealth and his media outlets with sophisticated marketing to launch himself and Forza Italia. It is no accident Mr Lasagna should be campaign manager. He headed Saatchi and Saatchi's Italian operations and has stepped down to act unpaid as co-ordinator and image maker – what he cheerfully describes as "panic manager".

Berlusconi: a household name, but still a genuinely new face

In the month since he decided to run for parliament, Mr Berlusconi's three national channels and the host of local television stations he controls have been reaching into the homes of more than 40 per cent of Italians. Screens have been flooded with spots of a smiling Mr Berlusconi promising in his soft Milanese voice a "new Italian miracle". Calling himself a liberal, he says he has entered politics to prevent the left – dominated by the former-communist Party of the Democratic Left (PDS) – from running the country. He promises to create jobs, stimulate economic recovery and lower taxes.

Although Mr Berlusconi's opponents criticise his platform as over-simplified and dangerous demagogy, he has found an audience and he knows how to charm. In his student days he worked as an entertainer on a cruise and has made a lot of money out of popular entertainment. He and his advisers calculate many people are unashamedly middle-brow, confused by the collapse of the old political order and take comfort in the role model of a wealthy self-made man.

He also is not the innocent he looks. To survive and succeed in business, he had to fight through the political jungle and his ambitions have been maturing for a good year. He began setting up a series of Forza Italia clubs last September, each with a nucleus of 50 people and self-financing through their own contributions and subsequently interlinked by computer. These were modelled on the experience of his AC Milan football supporters' clubs (hence the name Forza Italia – the cry of Come On Italy).

Mr Berlusconi had intended the entire club network to be placed at the disposal of the centrist movement of Mr Mario Segni, the former Christian Democrat referendum leader. However, the two could not see eye to eye and late in the day Mr Berlusconi decided to use the clubs directly himself.

Without Mr Segni, Mr Berlusconi turned for political support to the populist Northern League of Mr Umberto Bossi in the north and in the south to the National Alliance, the renamed neo-fascist MSI movement of Mr Gianfranco Fini.

This coalition of forces is now crudely defined as a right-wing alliance, facing the PDS-dominated Progressive alliance on the left and a rump in the centre made up largely of the former Christian Democrats regrouped in the Popular party (PPI) and Mr Segni's Pact for Italy.

Now that the campaign proper has begun, strict rules apply on electoral propaganda. "For us the campaign in a sense has ended," says Mr Lasagna. Mr Berlusconi has limited access to his trump card, his own media. He must now shake hands and hold public meetings. With more than 60 per cent of voters undecided, according to a poll yesterday, the real battle is only just beginning.

West seeks to move quickly on Bosnia confederation plan despite pitfalls

Moslem-Croat ceasefire raises hope

By Judy Dempsey

US, United Nations and European Union officials want to forge ahead with the peace process as Bosnian Croat and Bosnian Moslem armies today begin withdrawing artillery and other weaponry from central Bosnia.

If the ceasefire holds, officials will help both sides negotiate a confederation aimed at ending the war in one part of Bosnia.

The proposed confederation envisages the Bosnian Croat and Bosnian government incorporating territory westwards and northwards of Sarajevo, the Bosnian capital. The status of Serb-held territories in eastern Bosnia is being left to separate negotiations. One of the strengths of the proposed plan gives Croatia and the Bosnian government a (face-saving) reason for ending their conflict in one part of the republic. At the same time, the US will be able to support the plan – and the Bosnian government – providing a pretext for Washington not to commit ground troops once a peace settlement is signed.

'Each side hates the other so much I cannot envisage Moslems and Croats living side by side in Mostar'

"If both sides agree to the confederation, the peace settlement could be more benign and require fewer peacekeepers," one western diplomat said. However, another diplomat disagreed: "Any ceasefire and peace will require tens of thousands of peacekeepers."

However, the western diplomat agreed that the plan would entail transfers of population. "Each side hates the other so much. I cannot envisage Moslems and Croats living side by side, for instance, in Mostar, in the near future." The idea of a confederation has re-emerged for several reasons. First, Croatia longs for peace, even though President Franjo Tudjman still harks after his Greater Croatia. The threat of sanctions against Zagreb by the US and some EU countries has also played a role.

Second, Mr Haris Silajdzic, the prime minister of Bosnia, believes the confederation could give the Moslems access to the sea, and viability as a state.

Third, the plan could be sold to the Clinton administration because, *theoretically*, it is seen as preserving some of the territorial integrity of Bosnia and has not been forced on the Moslems. The pitfalls are many. These include the transfer of populations and the need for troops on the ground.

Above all, it depends on how the plan is perceived by President Slobodan Milosevic of Serbia, who after all, holds the key to peace in Bosnia.

■ French defence minister François Léotard yesterday expressed impatience that UN forces had not moved quicker to reopen Tuzla airport for relief supplies to northern Bosnia, writes David Buchan in Paris. The UN plan has been to start sending air traffic specialists on March 7 to the Moslem-held airport, which has been closed for nearly two years by surrounding Serb forces, so that relief flights can begin by March 18. This timetable now appears to have slipped.

EU claims progress on Macedonia dispute

By Kerin Hope in Athens

Mr Hans van den Broek, EU foreign affairs commissioner, returned to Skopje yesterday, claiming some progress on his shuttle mission aimed at persuading Greece and Macedonia to resume talks in their dispute over the former Yugoslav republic's name and flag.

The Dutch commissioner said after a meeting with Mr Carolos Papoulias, Greek foreign minister, that there "were a number of positive points" to be relayed to Mr Kiro Gligorov, the Macedonian president.

The EU mediation effort has been welcomed by Greece, which maintains that its European partners have not been supportive enough in the two-year dispute with Macedonia.

Greece's decision last week to impose a trade embargo on Macedonia, which appears to violate Treaty of Rome requirements on EU trade, is seen as a way of involving the EU in the dispute while at the same time putting pressure on the Skopje government.

Mr Gligorov, in a letter to the Greek prime minister, repeated his offer to sign a treaty guaranteeing the border with Greece, proposing that it should also be guaranteed by the EU. This would rebut the Greek demand that Macedonia's constitution should be changed on the grounds that it includes a territorial claim on the adjoining Greek province of Macedonia.

Mr Gligorov called for talks to resume immediately under UN auspices, warning that the trade embargo would "provoke undesirable consequences for peace and stability in the Balkans".

However, the letter made no mention of Greece's demand that Macedonia should change its flag, in recent weeks the most prominent issue of the dispute.

Macedonian officials privately admit that the flag, carrying a starburst symbol associated with the ancient Macedonian kingdom of Alexander the Great, could be considered provocative.

Sweden's polar region thaws over EU deal

Opposition to European Union membership is softening as the deadline for agreement approaches, writes **Hugh Carnegy**

The prime ministers of Finland, Norway and Sweden meet today in Helsinki to co-ordinate their positions before sending negotiators to Brussels for the weekend's make-or-break talks on their terms for entry to the EU, writes Hugh Carnegy in Stockholm.

Stockholm has hinted it would consider moving ahead to signing an accession agreement even if one or all of its fellow applicants – including Austria – were not ready to do so next week. But Mr Carl Bildt, the prime minister, said he was anxious the Nordic countries should reach agreement simultaneously.

"This," said the aide to Sweden's conservative Prime Minister Carl Bildt as he flew into the Arctic, "is an away match."

Heading for the small town of Gällivare, 60 miles inside the polar circle, to campaign for Swedish membership of the European Union, Mr Bildt was braced for a reception as icy as the sub-zero winter weather.

The area, like most of Sweden's far north, is both a bastion of support for his chief political opponents, the Social Democrats, and of hostility to the EU.

In the event, little stirred in the two meetings hosted by Mr Bildt – one of about 400 school students, the other a town meeting of 150 people. Even the prime minister's assertion that "We are part of Europe – we cannot clip ourselves out of the map" drew sceptical questions rather than discernable enthusiasm.

A series of opinion polls in Sweden and neighbouring Finland and Norway suggest that opposition to joining the union is softening, just as negotiations with Brussels on the terms for membership come to the crunch – the deadline set for completion is March 1.

The latest polls in Finland reflect the fear of rising nationalism in neighbouring Russia, with opposition faltering, to as low as 30 per cent, and support above 40 per cent.

A series of negotiated decisions in December, on issues such as preserving high local environmental standards, have seen support for membership in Sweden strengthen to more than 30 per cent, with the "no" side slipping to 40 per cent. And in Norway, opposition has fallen below 50 per cent for the first time in months, with support rising to above 35 per cent.

All three countries – along with fellow applicant Austria – have promised a referendum later this year to decide the issue.

On the flight back to Stockholm from Gällivare, Mr Bildt was reluctant to interpret his placid reception as a sign of shifting opinion, but he did believe feelings had become less entrenched.

"They are now listening very carefully to the arguments - people are more accessible than before - but there is still a long way to go." Mr Sten Birger Grundström, headmaster of the Gällivare school visited by the prime minister, said he felt opposition among his pupils – many of whom will be old enough to vote in the referendum – was weakening. "As they learn more they become less hostile."

Opposition to membership swirls around a number of issues in Gällivare.

Will the remote areas lose out on the generous regional and agricultural subsidies they have enjoyed? Will national sovereignty be undermined? Will foreigners flood an over-crowded job market and tourists trample the countryside? Will the Nordic way of life – the welfare system – be dismantled at Brussels' behest?

Mr Grundström says for young people, facing 30 per cent youth unemployment in parts of Sweden and Finland, much depends on the health of the domestic economy. "This definitely influences them on the EU question. They link it to the other things they are unhappy about, such as unemployment. If the economy really improves, as it looks like it will this year, then so will opposition to the EU fall."

A lot will turn on whether the applicant countries win accession agreements over the next week which they can present as favourable. Even then, there are plenty who remain adamantly opposed to membership.

"The EU is about centralisation of power," declared Ms Mona Larsson, a former hotel administration manager in Gällivare who is now unemployed. "Brussels will get stronger and stronger, it is inevitable. The EU is like a ship being built in sections. Soon it will be put together and it will be controlled by the bridge. It is better that Sweden stays independent."

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Firm Yeltsin line offers little joy for west

Russia needs a stronger state, the president told deputies yesterday. **John Lloyd** assesses the new mood in Moscow

President Boris Yeltsin, saying he mounted the podium before the parliamentary deputies "with a special feeling", yesterday sought to define a task which could engage all political forces in a common effort – the strengthening of the Russian state. This was the theme of his 50-minute speech which, constitutionally, defines the bounds within which government should work. Long-awaited, once delayed, the speech was the first major utterance from the president since the December 12 elections gave extreme right and left parties a large share of the legislature. In choosing the need to strengthen the state as his central message, he stole some clothes from the new forces – at the cost of appearing harder on foreign policy and of sounding largely incoherent on economic policy.

His proposition was that everyone would benefit from a stronger state: the citizens worried by crime; the reforms which needed regulation; even the former Soviet states which needed a strong Russia to "guarantee their stability". The process would be achieved on the basis of the new constitution – the one indisputable victor, he claimed, from the December elections (it was approved by a majority of those voting, but only 33 per cent of the electorate).

The tone never resorted to the promises of speedy improvement which marked his speeches over the past two years; instead, it was sombre, even pessimistic. He emphasised the unrestrained growth of a corrupt and inert bureaucracy; the lack of a market economy working within agreed rules; the ignoring of laws and civil behaviour; a "new estrangement of the government from the people".

On economics he sounded most like the Yeltsin of old. He said again reform must continue, and deepen; that the struggle against inflation remained at the heart of his policy (and that he would even invoke constitutional presidential powers to bring it down – but did not define how). In a tone of exasperation – one of the few times his even, strong delivery showed some variation – he asked: "What's stopping us making a brief outline of a range of strategic industries, highly competitive on the world market and socially significant for Russia – the more so since experts say this is not more than 10 per cent of Russian enterprises. It's just these plants to which we should give normal state aid in the next few years." Mr Yeltsin wants some winners picked: that assumes he wants some losers lost.

However, he was immediately at pains to reassure the deputies and the population that he is concerned about the consequences of reform. "The task," he said, "is to find a sensible relationship between the speed of reform and of the social sacrifice for it." He exhorted his ministers not to forget the poor for a minute, and said that while a range of industries and citizens must be supported, the tax burden must be cut back.

On foreign policy – the subject Mr Vladimir Zhirinovsky of the ultra-nationalist Liberal Democrats has most made his own – he was tough. A central passage called on the foreign ministry, already taking a much harder line than before, to stop making concessions to neighbouring states and the wider world. He said: "We have a lot of evidence that our fellow countrymen are being discriminated against. Russia's duty, in deeds, not in words, is to put an end to these practices. If we are dealing with violations of legitimate rights of Russians, this is not the exclusive internal affair of some other country, but our own, exclusive, state affair."

This could be threatening and was meant to sound so. To move to "deeds" could mean anything – from economic sanctions, to a refusal to move troops from the Baltics, to military action. It is not comforting that Mr Yeltsin describes as "lacking resolve" a foreign minister who refers to "ethnic cleansing" of Russians in the Baltics, and who suggested Russian troops stay there indefinitely.

Finally, he was curt on Nato expansion: "This is the path towards a new threat for Europe and the world. Russia is not a guest in Europe, but a full participant in the European community with an interest in its well being."

It is a speech which – in the aftermath of the Ames spy revelations in Washington, the anger Russia expressed over Nato's ultimatum to the Bosnian Serbs and its action in springing to their defence – will produce little joy in the west. It is the programme of a man who is manoeuvring between political shoals, and who can no longer afford to expose his patriotic flank. The question is: how far does this go in practice?

Yeltsin yesterday: firm on foreign affairs, largely incoherent on economic policy

NEWS IN BRIEF

Retailers told to prune operations

The German cartel office ruled yesterday that Karstadt and Hertie, two of Germany's biggest retail groups, must prune their operations before merging, writes Ariane Genillard in Bonn. The two retailers must dispose of four operations in audio equipment to avoid having "excessive market positions" in Berlin, Hamburg, Munich and Schleswig-Holstein. The two companies will also have to loosen their hold on retailing in Berlin, where they have 16 stores. The cartel office said market positions in home textiles, perfumes, cosmetics, audio equipment and toys would have to be decreased to "a level not harmful to competition. Karstadt, Germany's biggest store chain with 1992 sales of DM20.6bn (£8bn), plans to buy Hertie Waren and Kaufhaus for DM2.7bn.

French pension reform delayed

Reform of the French pension system, due to be presented to parliament in the spring, is likely to be pushed back to the autumn, the economy ministry said yesterday, writes John Ridding in Paris. It said the expected delay reflected the time needed to study the various proposals for the introduction of capitalised pensions to complement the existing "pay as you go" system. But it may also reflect concerns that the creation of private pension funds could discourage consumption and hamper efforts to revive the economy by stimulating private consumption. Economists believe the introduction of private pension funds would increase savings and hence reduce spending.

Engineering workers stage protest

Almost 300,000 engineering workers took part in token strikes and mass rallies across Germany yesterday, in a bid to bring their employers back to negotiations over their pay claim, writes Quentin Peel in Bonn. The mass day of action, the biggest so far in the wage round, was part of deliberate pressure by the engineering trade union, IG Metall, before a strike ballot is held in the state of Lower Saxony next week. The action coincided with the third round of pay talks for 3m public sector workers, in which the federal, state and local government employers are insisting on a pay freeze. The public sector unions want a 4 per cent pay rise to keep pace with inflation.

'Room for lower German rates'

Bundesbank board member Mr Edgar Meister said he saw room for further declines in German money market rates following the central bank's discount rate cut last week. "We still do not have a normal interest rate structure," Mr Meister said. Inflation of around 2.5 per cent in the past six months, and expectations that it would stay below 3 per cent provided room for the rate cut.

Boeing engine mountings blamed

Faulty engine mountings probably caused the October 1992 Amsterdam air disaster which killed 47 people. The Netherlands Aviation Safety Board board said the design and certification of the Boeing 747 pylon was found to be inadequate to provide the required level of safety. Boeing has already started equipping the 747 fleet with stronger engine mountings, one of the report's recommendations. The El Al Boeing 747 cargo plane lost two of its four engines and crashed into an apartment block.

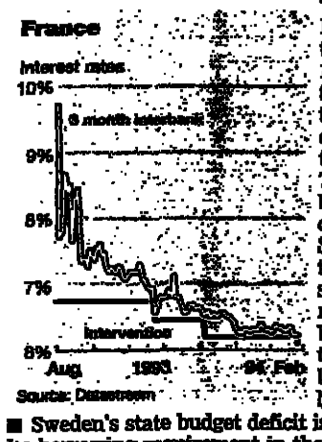
French try to hook fish-eaters

France launched a FFr10m (£1.14m) campaign to persuade consumers to eat more fish, a concession to fishermen who staged a violent strike earlier this month. The campaign is partly funded by the European Union. Radio advertisements depict French fishermen as unsung heroes, bringing home the fish after a night at sea. EU and other trading partners have accused France of bending international trade rules by imposing lengthy border checks, stringent veterinary controls and minimum prices on imported fish.

Romanian left spurns right

Romania's ruling minority left-wing party dropped a plan for coalition with ultra-nationalists after signals it could damage relations with the west. The ruling Party of Social Democracy's leadership had decided to break with its former ally, the anti-Semitic Greater Romania Party. The nationalist group took 4 per cent of seats in elections 18 months ago.

France trims interest rates



The newly-independent Bank of France cut its interest rates for the first time yesterday, shaving 10 basis points from its intervention rate to 6.1 per cent. It said the cut was in line with a policy of maintaining the stability of the franc over the medium term. The cautious cut reflected the bank's efforts to entrench its credibility in fighting inflation. Shares slid as dealers decided the interest rate cut was only a symbolic move after last week's rate cut by the German Bundesbank. The CAC-40 index index of the most widely traded shares lost nearly 2 per cent to 2,208, but ended above the day's lows.

- Sweden's state budget deficit is forecast at SKr206bn in 1993-94. Its borrowing requirement in the year to June 31, is estimated at SKr257bn.
- Italy's industrial producer prices rose 3.7 per cent in the year to December, and wholesale prices were up an annualised 3.9 per cent. The trade surplus rose to L3,420bn in December, and to L10,980bn for the whole year.
- Switzerland's current account surplus last year rose to SFr27.5bn from SFr21.15bn. It rose in the last quarter to SFr6.7bn from SFr5.25bn in the third.
- Industrial output in the Czech Republic fell a preliminary 5.3 per cent last year and construction output fell 7.5 per cent. Retail sales rose 1 per cent.
- A surge in domestic demand boosted orders for manufacturing industry in eastern Germany by 7.3 per cent in December compared with November. Orders rose an annualised 6.7 per cent in December.

Moscow set to resume gold swaps to finance deficit

By Leyla Boulton in Moscow

Russia is negotiating to resume gold swaps for the first time since the Soviet Union's collapse in order to help finance its budget deficit, a government official said yesterday.

"Such questions are now being examined because a swap is more favourable for us than a straight sale of gold," Mr Yevgeny Bychkov, head of Russia's Precious Metals and Stones Committee, said. "We are looking at different proposals to choose those most acceptable to Russia."

But although he did not give details of the negotiations, he said the authorities did not have that much gold to offer. The government's reserves, which were held by his committee, totalled 177.8 tonnes while those of the central bank amounted to 128 tonnes.

Out of those amounts, the government needed 50 tonnes for jewellery production and industrial uses, and "much less" than an initially planned 100 tonnes to redeem a finance ministry gold certificate which falls due in September.

One western gold analyst said a gold swap would be worthwhile for Russia only if it involved at least 100 tonnes, raising around $1bn. He said he believed that Russia would get much harsher terms than a few years ago because it was perceived as a much worse credit risk than before.

"It's like going to a pawn shop. If the guy in the pawn shop sees you coming several times he will give bad treatment. Since it is possible they will be offering less than 100 tonnes, they might as well sell it."

Mr Bychkov expected Russia to mine 156.9 tonnes of gold this year, compared to 149.5 tonnes last year and 149.1 tonnes in 1992. He said Russia would set up a gold bourse this year as part of plans to liberalise the domestic gold market. Procedures were now being developed for implementing a decree issued by President Boris Yeltsin last December, allowing banks to apply for licences to deal in precious metals. The decree also allowed foreign investors in gold mining projects to recoup their investment in gold.

A double event has made Beijing's regaining the colony harder though no less sure

Two stones roll into China's path to HK

LegCo may have scored a victory in a war destined to be lost, **Simon Holberton** writes

Until this week it was possible to argue that developments in Hong Kong were moving in China's direction. Opinion polls showed people getting bored and frustrated with the bickering about politics. Governor Chris Patten's popularity showed signs of slipping. There was even talk of defeat for Mr Patten in an important vote in the local legislature.

But two things have changed this outlook and made China's recovery of Hong Kong in 1997 no less certain, but seemingly more difficult. The first was Wednesday's vote in the Legislative Council (LegCo) on the first stage of Mr Patten's plans to broaden democracy in the colony; the second, the publication of a disturbing report about attitudes to China held by the colony's senior civil servants, virtually all of whom are ethnic Chinese.

Contrary to expectations, Wednesday's vote showed the margin of support in LegCo for Mr Patten's democracy plans had increased. Excluding the three officials who had to vote Mr Patten's way, the majority in favour of pushing ahead rose to 10 from 8 members of the 60-strong assembly.

This increased margin may prove a useful cushion to Mr Patten when LegCo comes to debate his second political reform bill to be published today. In the face of Chinese opposition, this bill seeks to broaden the democratic franchise for 40 of LegCo's seats at present subject to restricted votes.

The significance of Wednesday's vote was that China had drawn a line and Hong Kong's local politicians collectively crossed it. China had said, and it repeated it yesterday, that it would repudiate whatever LegCo decided because no agreement between Beijing and London had been reached on the conduct of Hong Kong's elections this year and next. LegCo ignored the warning and defied Beijing.

This defiance may prove no more than an early victory in a war LegCo is destined to lose. China is viscerally opposed to what Mr Patten is doing: it views any attempt to lay down the roots of western democracy in Hong Kong as Britain's way of perpetuating colonial rule. It also holds the cards.

Beijing is busily working on the "second stove", its term for Hong Kong's political structure after 1997. The Preliminary Working Committee (PWC), a group of 57 mainland officials and Hong Kong plutocrats, has been charged with designing this structure. The PWC is at present meeting in Beijing to discuss the future structure of Hong Kong's executive branch of government; by July it plans to have concluded its work on the political structure.

The hope expressed by British officials is that by the time China resumes sovereignty over Hong Kong it will see that the result of LegCo's 1995 polls pose it no threat. As Mr Jimmy McGregor, an independent democrat, put it on Wednesday: "What may be impossible or difficult for China to accept today may be less so in three years' time.

Possibly. But Hong Kong's senior civil servants do not appear to think so. An academic survey of attitudes to 1997 held by the 1,000 top managers of the colony's 180,000-strong civil service lays bare a crisis for China in the making. The civil service, one of Hong Kong's prized élite institutions, is often credited with providing the foundation for the colony's remarkable economic success. Members of the directorate, as the top echelon is known, are recruited from the cream of the colony's educational institutions.

According to Dr Jane Lee, a co-author of the study and a member of the department of public and social administration at the City Polytechnic of Hong Kong: "The civil service in Hong Kong is valued for its efficiency and rationality; it is seen as incorruptible.

"Even though the government is not elected, it enjoys a high degree of legitimacy because of the civil service". Yet her survey found a third of top civil servants said they plan to leave government administration before 1997; another 30 per cent were undecided. "Strong resentment exists against political interference from China. A sense of impotence is evident among senior bureaucrats," she and her co-author Prof Joseph Cheng said in the report.

Senior civil servants have moved to protect themselves by taking out foreign nationality; 77 per cent have a foreign passport. In doing so, they have effectively disbarred themselves from senior positions after 1997. When China resumes sovereignty, top officials will not permitted to have the right of abode outside Hong Kong.

Hong Kong stock prices tumbled yesterday after Governor Chris Patten told legislators he would press forward with electoral reform against China's opposition, Reuter reports.

The Hang Seng index fell 331.21 points, or 3.08 per cent in thin trading, to 10,432.02. But more than half the loss came before Mr Patten made his announcement that he would publish the final and most controversial portion of his reform package today.

Investors have been hanging on to every twist and turn in Sino-British relations leading up to the colony's return to China in July 1997.

The Hang Seng index is now more than double its level of late 1992.

Hong Kong pro-democracy activists back the promise by Governor Chris Patten (below right) to deliver a new political reform bill for the colony; Shen Guofang, (bottom left), Chinese Foreign Ministry spokesman, says such unilateral action would slam the door on further talks *Reuter*

Angry Beijing vows to sack elected councils

By Tony Walker in Beijing

China's reaction to the passage of the partial electoral reform bill through Hong Kong's Legislative Council was fast and furious.

Accusing Britain of slamming the door on further negotiations over Hong Kong, Beijing said it would sack representative bodies elected in the last days of British rule, giving the clearest indication of actions planned when it resumes control of Hong Kong at midnight on 30 June, 1997.

Britain had "completely" closed the door on further meetings; "The British side should be held fully responsible for ruining the talks," the official statement said.

Previously, China had said it was willing to resume discussions if Governor Chris Patten withdrew his reform bill, but repeatedly warned passage of the bill would lead to a complete breakdown of negotiations. "As component parts of the British political body administering Hong Kong", elected bodies including the Legislative Council would "definitely be terminated" in 1997.

It complained about Mr Patten's plans to introduce a more substantial bill to LegCo today, including remaining elements of his reform package. Beijing was further angered by Britain's decision to make public the contents of its 17 rounds of secret talks on the Hong Kong issue.

Mr Patten's second and more radical bill, due to be published today, aims further to extend democracy in Hong Kong by broadening the franchise for representative institutions such as Legco. Beijing claims these measures contradict prior Sino-British agreements on Hong Kong's transition to Chinese rule enshrined in the Joint Declaration of 1984 and the 1990 Basic Law, or colony's post-1997 constitution.

China's critics say it fears the development of independent-spirited democratic institutions in Hong Kong because they might serve as a model for mainland democracy activists after 1997. China is now likely to step up its own preparations for assuming control of Hong Kong, and in the process seek to undermine Mr Patten's authority in the last years of British rule.

UK-China talks on practical issues such as the financing of a much-needed new airport have bogged down because of deteriorating Sino-British political relations. In its statement, China referred to a new "political body of the Hong Kong Special Administrative Region" that would replace LegCo. Exactly when this would occur was not clear.

Beijing has been exerting pressure on Hong Kong Chinese involved in the debate over the colony's future. It has repeatedly accused Mr Patten of seeking to perpetuate UK colonial interests.

British officials regret lack of co-operation

By James Blitz in London

British Foreign Office officials yesterday regretted that the Chinese leadership had not co-operated in moves to proceed with electoral reform in Hong Kong. But they said that they could wait no longer before introducing a new round of legislative reform in the colony.

A Foreign Office spokesman said that the UK had made "strenuous efforts" to proceed on the basis of an agreement with the Chinese government on electoral arrangements. He said that the UK had offered revised proposals in the course of the talks, conditional on reaching an overall acceptable package. "Our door has been open all along for discussion with the Chinese leadership," the spokesman said. "It will remain so." But he claimed that it was necessary for the Legislative Council to begin work on the second Bill as soon as possible, since all primary legislation needs to become law in Hong Kong by the summer recess.

The British government also regretted the Chinese leadership's speedy dismissal of the proposals. They stressed the proposals were compatible both with the Joint Declaration made by the UK and China and with the Basic Law, its post-1997 constitution for the territory."

Officials said that it was in China's interests to acquire a "successful Hong Kong" when they assume responsibility for it in 1997.

Yesterday's developments came amid signs that British MPs are increasingly uneasy about Hong Kong's future.

A survey by an organisation called Access Opinions showed that not a single MP was "very confident" that the Chinese would respect the constitutional arrangements currently being set up under Mr Patten's direction. It showed that 54 per cent of MPs were "not very confident" and 27 per cent "not at all confident" about the outlook for the colony under Chinese rule.

India urged to press on with reforms

By Stefan Wagstyl in New Delhi

India must press ahead with further economic liberalisation, trade reforms, cuts in subsidies and reductions in public borrowing, according to the government's annual economic survey published yesterday.

Without more economic reform, the country risks losing the hard-won gains of the recent past, the report presented to parliament by Mr Manmohan Singh, finance minister, warns.

The report sets the outlines of the government's economic plans for the financial year starting in April. Its detailed plans will be made public when Mr Singh presents his budget on Monday.

Investors welcomed the report, prompting a rally on the Bombay Stock Exchange, where the 30-share index rose 103.55 points to 4132.33, close to recent highs.

The report estimates the economy will grow only 3.8 per cent in the year to the end of March, down from 4 per cent the previous year and well short of the target of 5.6 per cent. Agricultural output is set to decline slightly, following a record performance the previous year.

Industrial production, which fell sharply when India embarked on reform in mid-1991, is recovering far more slowly than anticipated, growing just 1 per cent in the first seven months of 1993-94. But the authors note signs of recovery in recent months, notably in the consumer goods industry.

The report blames industry's disappointing performance partly on the unrest which followed the destruction of the Ayodhya mosque and partly on continuing uncertainty about the impact of reform, which has curbed investment and hit capital goods producers hard.

The survey highlights the country's export performance as "the most striking evidence of progress," noting a 19.9 per cent rise in exports in dollar terms in the nine months to December. With imports weak, because of poor demand for capital goods and low oil prices, foreign exchange reserves have soared to $10.9bn (£6bn) this month and should reach $12bn by the end of March. The current account deficit should fall to just 0.5 per cent of the economy, the lowest in 15 years.

The strong current account performance has encouraged more foreign investment than expected. The combined flow of foreign direct investment, investment in the stock market and in paper issued by Indian companies overseas should reach $2.5bn in 1993-94, up from $390m last year.

Weak imports have hit government revenues by depressing customs payments. With spending also higher than expected (due to extra subsidy hand-outs), the government's borrowings have climbed far above targets.

The fiscal deficit will be "substantially higher" than the target of 4.7 per cent, the report, though it gives no figure. The deterioration in the fiscal position remains "the principal cause of macro-economic concern."

Manmohan Singh: warnings

'More to Japan-US relations than targets'

There is too much at stake, Tokyo's senior foreign ministry official tells **William Dawkins**

Japan's senior foreign ministry official yesterday warned that the US-Japan trade row, if mishandled, could harm one of the world's most important bilateral relationships.

"If badly handled... those trade issues have the danger of affecting our overall relations," warned Mr Kunihiko Saito, vice-minister for foreign affairs.

He was "quite embarrassed and even worried" by the Japanese press applause for prime minister Morihiro Hosokawa's refusal to accept US demands for a fixed target for a decline in Japan's record trade surplus. Japan had turned down US demands before, in negotiations on fishery and aviation rights, and Mr Saito did not wish the government to be thought to have become assertive towards the US.

"We failed to reach agreement on only three specific areas in all the many aspects of our relationship... so we should not lose sight of the vast perspective," said Mr Saito, in an interview in which he showed a sharp contrast to the bombastic recent line taken by US officials.

Mr Saito admitted that the row had caused some damage and that Washington appeared to be "mainly interested in improving trade relations with Japan" at a time when Tokyo was trying to reduce the weight of economic interests on its overall foreign policy.

"We are getting more and more aware that we cannot continue to pursue only an economic role for ever and we have to try to meet expectations held by the rest of the world," he said.

Despite the dispute, Japan believed its US relationship was "essentially sound" and accorded more importance than ever to keeping close links with Washington, not least because of its value as the guarantor of security in Asia, he said.

"Japan depends on the US for its defence.... Although the Cold war is now over, the potential threat to our security continues to exist and we have no wish whatsoever to develop our military capability. All Asian countries, particularly members of Asean (the Association of South East Asian Nations) think that that the US-Japan relationship is essential for the safety, security and prosperity of the whole region. In that sense, Japan and the US have a responsibility to try to remain friendly," Mr Saito said.

Whether the US continued to place such importance on Japan since the collapse of the Soviet Union was one of the most uncomfortable questions facing the Tokyo government's foreign policy planners.

There may be "a few people" in the US government who did not share Japan's view of the paramount strategic value of the relationship, Mr Saito feared. "We hope that the number of these people will not increase in the future. Perhaps we need more efforts now than at the time of the Cold war to convince the Americans of the importance of our bilateral relations," he said.

Mr Saito drew a distinction between Japan's unchanging desire for close co-operation with the US and its preparedness to alter policies towards other countries, in the light of post-Cold war changes. "Of course we have introduced some adjustments in our relations to other countries, but with the US we will be happiest if we can maintain our former relations," he said.

Despite the risk of the dispute spilling over to other aspects of US-Japan relations, the government planned to stand firm against numerical targets. He understood why the US wanted to try new methods of reducing the Japanese trade surplus in the light of the failure of many previous attempts.

Accepting a precise target "may alleviate the present pressure but it will only postpone the problem one year or two years", said Mr Saito.

Other governments, not just the US administration, would be tempted to blame Japan for missing such a target and might then restrict Japanese imports on the pretext of helping Tokyo to meet the goal, he argued.

Japan would stick to this position, not because it was being assertive, said Mr Saito, but because it believed this was the right thing to do.

Output falls by 4.5% in second year of decline

By William Dawkins in Tokyo

Japanese industrial output fell for the second year running in 1993, the longest decline since the aftermath of the 1973 oil crisis.

Production fell 4.5 per cent last year, an apparently encouraging slowdown on the 6.1 per cent decrease in 1992, according to the ministry of international trade and industry.

However, stocks of unsold inventories continued to climb by 2.2 per cent, with a recovery of demand nowhere in sight, a Miti official said.

Output rose in the first quarter of last year, fuelling recovery hopes, but then went into an accelerating decline, with the final three-month period down 3.7 per cent compared with the same period the previous year.

Separately, sales at supermarket chains fell 1.1 per cent last month from January 1993, marking the 17th month of decline since September 1992. While the overall sales value fell, the volume of goods sold rose last month as consumers hunted for the cheapest brands, according to the Japan Chain Stores Association said.

A glimmer of encouragement for the Japanese economy emerged yesterday in the form of a 23.8 per cent rise in steel exports last year.

The rise, to a four-year record of 23.5m tonnes, was mainly due to demand early in the year from China, the Japan Iron and Steel Federation said.

● Property prices in the Tokyo area are showing signs of recovery, according to a survey by a private research firm, Reuter adds from Tokyo.

Of 621 estate agents surveyed on February 14, 9.0 per cent said land prices in the Tokyo area had risen from January, 55.5 per cent said they were little changed and the remainder said prices were declining.

The number of respondents who said land prices were falling dropped for the second consecutive month.

Israeli minister expects further drop in jobless

By David Horovitz in Jerusalem

Unemployment in Israel fell to 9 per cent in the final quarter of 1993 - giving a full year average of 10 per cent, compared with 11.2 per cent in 1992.

The improvement was hailed by Mr Avraham Shochat, Israeli finance minister, as vindication of the Labour government's economic policies.

He predicted a further fall in the jobless rate in 1994 to about 9 per cent.

The figures, released by Israel's Central Bureau of Statistics, showed that 101,000 new jobs were created in 1993, an increase of more than 6 per cent over the previous year.

Analysts attributed the falling jobless totals to three factors:

● An increase in Israel's gross domestic product;

● Israeli workers in the building trade have replaced many of the 50,000 Palestinians from the occupied territories no longer permitted entry into Israel;

● The slowdown in immigration from the former Soviet Union.

From a low of 6 per cent in 1987, unemployment had been growing steadily until last year, fuelled by the arrival of hundreds of thousands of Russian Jews.

A new report issued by the Treasury, meanwhile, predicted 5.6 per cent growth in Israel's GDP for 1994 - a revision of the 5.3 per cent prediction in the budget last October.

NEWS IN BRIEF

Camdessus meets Algerian leader

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday met Algerian President Liamine Zeroual to discuss an economic restructuring programme, writes Our Foreign staff. Agreement is conditional on Algeria accepting major economic reforms and devaluing the dinar. It is expected to lead to a Paris Club rescheduling of that part of Algeria's foreign debt which is guaranteed by foreign governments - about $13bn (£8.9bn) out of a total figure of $26bn.

Singapore-US fund set up

The Singapore government and a US investment company are setting up an investment fund worth up to $800m (£548m) to invest in Asia's fast expanding infrastructure sector, writes Kieran Cooke in Kuala Lumpur. The government of Singapore and the state-controlled Temasek Holdings company are to join with interests managed by the American International Group, a global US financial services company.

Pakistan closes Kabul mission

Pakistani diplomats yesterday closed their mission in Kabul and left the city, a day after an angry mob sacked the embassy and beat up two security guards, Reuter reports from Kabul.

Indonesian activist jailed

A human rights activist yesterday received a four-year sentence for putting up stickers that were ruled to be insulting to Indonesian President Suharto, AP-DJ reports from Jakarta. Nuku Sulaeman, 29, was charged with putting up stickers that called Suharto "the mastermind of all disasters" - a reference to reported human rights violations during Mr Suharto's 25-year presidency.

NEWS: WORLD TRADE

Bid to balance pain and gain of Uruguay Round deal

SA set to soften tariff blow

By Matthew Curtin in Johannesburg

A new South African government is likely to be in the enviable position of possessing a comprehensive, negotiated and revamped trade policy within weeks of taking office after the country's first non-racial elections in April.

Credit has to go to the foreign trade policy task force of the National Economic Forum, the tripartite representation of government, business and labour, which drew up South Africa's successful offer to the Uruguay Round in less than six months last year. Mr Michael McDonald, the chief business representative on the task force, says the NEF should be able to present a broad trade policy document to the government in June.

Mr Peter Sutherland, director general of Gatt, singled out the achievement of a unified offer for special praise during a visit to South Africa last week. clearly impressed at the workings of the "golden triangle" of government, business and the trade unions.

His message for his hosts was largely that of "no pain, no gain". South Africa, with a number of highly protected industries and one of the world's most cumbersome tariff structures, would find it tough to meet the requirements of the Uruguay Round, but the country was well placed to take advantage of new opportunities because of flourishing sectors such as agriculture which had barely started to tap their export potential.

Mr Sutherland's outlook is borne out by research by the state-owned Industrial Development Corporation. Although it showed that the Round would lead to growth domestic product growth, with exports outpacing increases in imports, sectors like textiles and car-making, currently enjoying 100 per cent protection, would suffer a 4-5 per cent decline in employment as tariffs were reduced to 45-50 per cent.

The implications of the Uruguay Round for jobs have become the prime concern of the NEF given that a new government will be expected to tackle unemployment, estimated unofficially at 40 per cent. The clothing and textiles industries remain large employers with a combined workforce of about 190,000, despite thousands of job losses in recent years, on which some communities are entirely dependent for their livelihood.

The NEF is sanguine about what needs to be done. Further job losses are inevitable, but the NEF is devising short-to-medium term subsidies to cushion the blow while an industry task force is finalising recommendations on restructuring the sector.

Mr McDonald says it would be wrong to over-emphasise the suffering which adherence to Gatt rules will cause the economy. Industry faces only a gradual introduction of new tariffs over as long as 12 years after their formal implementation from next January. Negotiations are under way which may give South Africa access to the US's general system of preferences while an EU team is in the country to discuss preferential tariffs.

NEWS IN BRIEF

Call to back workers' rights in trade deals

Respect for basic human rights at work should be included in future international trade agreements, Mr John Monks, the British Trades Union Congress general secretary, told the AFL-CIO American union organisation in Miami yesterday, Robert Taylor, Labour Correspondent, writes from London.

"We must press the case with governments for a clause linking the extension of trade advantages to respect for employment rights," he told the AFL-CIO's executive council. "In a time of heavy unemployment and insecurity such a clause in the Gatt would be a powerful defence against protectionism."

Mr Monks said he hoped the issue would be taken up at next month's jobs summit conference in Detroit called by President Bill Clinton and at April's Gatt meeting in Marrakesh.

He claimed there was a need to include a commitment to "inalienable" rights in trade agreements.

They would cover the right "to form and join a union, to work free of compulsion in conditions where life and limb are safeguarded against the most dangerous hazards and to have redress when subjected to discrimination on grounds of sex, race or political or religious belief".

Earlier this month the Geneva-based International Labour Organisation raised the possibility of introducing social clauses into trade agreements. Trade union bodies such as the *International Confederation of Free Trade Unions* are also campaigning for them. Social clause supporters believe international competition must not be allowed to result in declining labour standards. But strong opposition is coming from Pacific rim countries in South-East Asia.

Uruguay Round goes to US court

Five environmental and public citizen groups opposing the Uruguay Round deal yesterday went to court in San Francisco to force the Office of the US Trade Representative to prepare an environmental impact statement for the Round, Nancy Dunne writes in Washington.

A similar suit was filed last year in Washington against the North American Free Trade Agreement, linking the US, Canada and Mexico, to delay passage of the pact through Congress, but an appeals court upheld the government.

BMW Rolls-Royce wins engines order

BMW Rolls-Royce, the joint venture between the German car maker and the UK aero-engine group, is to supply McDonnell Douglas of the US with aero-engines for a potential market of 1,000 aircraft, Rachel Johnson reports from London.

Its 20,000lb thrust BR715 engine was selected ahead of a rival engine from a consortium led by Deutsche Aerospace's engine subsidiary MTU.

Philips in cable TV venture

By Ronald van de Krol in Amsterdam

Dutch electronics group Philips is joining forces with United International Holdings of the US to invest in cable television infrastructure in about a dozen European countries.

The joint venture will focus at first on the physical infrastructure through which cable television is transmitted, but may expand later into programming.

Philips sees cable television as an important outlet for its ambitions in multi-media electronics. It already owns stakes in cable television networks in its home town of Eindhoven as well as in Vienna, Paris, Brussels and other European cities. UIHI has interests in the cable infrastructure of countries from Norway to Hungary.

The two companies' existing investments in cable television already cover a potential 2.5m European households, of which 1.5m are subscribers. They plan to expand the potential number to 7.5m.

A delicate mission to Beijing

Tony Walker on Sino-EU talks complicated by China rejoining Gatt and by Hong Kong

Sir Leon Brittan, the European trade commissioner, faces a delicate task in Beijing this weekend in discussions with Ms Wu Yi, the tough-minded Chinese trade minister.

Sir Leon will be obliged to complain about Chinese threats against British business over Hong Kong; although as a former British cabinet minister he will not want to appear to be engaging in special pleading.

London expects, nevertheless, a robust performance since anxiety is growing among British businessmen about the impact of the lingering row over Hong Kong Governor Chris Patten's democracy proposals.

China's strong desire to rejoin the General Agreement on Tariffs and Trade is seen as a possible lever. "It's certainly not in the spirit of Gatt to discriminate against British commercial interests," said an official in Beijing.

Sir Leon is visiting Beijing for a meeting of the Sino-EU Joint Commission, which convenes annually to review trade and related issues. This joint session will have a sharper focus since the pace is quickening on discussions about Beijing's application to rejoin Gatt.

The process has been in train since 1986, but the Tiananmen Square massacre of 1989 slowed progress until late 1992 when the US resumed closer consultation.

The Uruguay round, to which China was a party, and the birth next year of the World Trade Organisation to replace Gatt have further stimulated discussion. China wants to be a founder member of the WTO, just as it was of Gatt in 1948, the year before the communist takeover.

Sir Leon will be left in no doubt by Ms Wu of Beijing's wish that deliberations in Geneva in mid-March of the Gatt working party on China should take on more urgency.

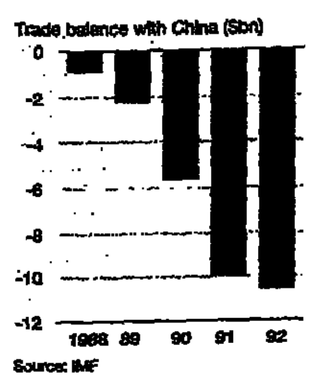
At a meeting this week in Beijing with Dorothy Dwoskin, the chief US Gatt negotiator, China's trade minister spoke of a willingness on the part of the Chinese to be flexible, but US and EU officials say that significant obstacles stand in the way of China's Gatt entry.

The EU's main concern is to see a strong and enforceable safeguards clause built into the protocol outlining terms for China's Gatt accession. The EU fears surges of Chinese imports, and points to a host of what it sees as dumping problems – discounted pricing of Chinese goods in the European market – as an example of what might lie ahead.

China is resisting a safeguards clause, fearing that such a measure, providing for the imposition of quota restrictions, would be used arbitrarily to stifle Chinese exports.

EU officials argue that because of China's market reforms it should not be treated differently from other "free-market" Gatt signatories. Countries of the 24-nation Organisation for Economic Co-operation and Development are intent on ensuring that China's entry to Gatt is subject to the most rigorous terms. China's boisterous trade performance in the past decade, and expectations that this marks just the beginning, loom large in western concerns.

Ten years ago China, with exports of little more than \$20bn (£13.6bn), accounted for just 1 per cent of world trade. Exports last year reached \$92bn, or more than 2 per cent of the total.



But more immediately it is trade imbalances that are worrying China's main trading partners. The US trade deficit with China for the first 11 months of 1993 was \$21.4bn; the EU deficit for last year was expected to be slightly down on the 1992 figure, which some estimates put as high as \$12.1bn. Japan's deficit exceeded \$3bn.

US and EU officials, with the Japanese experience in mind, fear that such imbalances will be perpetuated unless China is obliged further to open its markets and reduce the monopolistic powers of its state trading corporations.

"Lack of transparency in their import regulations and their licensing requirements constitutes in our mind one gigantic tariff barrier," said an EU official. The US, for its part, is arguing that China should not be allowed to impose import restrictions in any individual case unless rules governing those restrictions are published.

China, whose tangled web of trading rules has been obscured for decades from the outside world, has undertaken to publish an official journal of its regulations, but foreign officials in Beijing are sceptical about this undertaking.

They also have doubts about Beijing's ability to enforce standardised trading rules across its vast terrain, especially in light of the growing power of individual provinces and regions.

Among principle US concerns – and this may well be an issue raised by Sir Leon – is that of access to the China market for service organisations such as banks, retailers, accountancy and law firms, and advertising agencies. "They are resistant – very resistant on services," said a US official.

Rampant counterfeiting of such items as computer software and compact discs is another issue likely to emerge, with both the US and Europeans determined to tie respect for intellectual property rights to Gatt entry.

China, in spite of having reduced numbers of items subject to import licensing, abolished some non-tariff barriers, and unified its currency as a step towards convertibility, is finding Gatt entry a frustrating process.

While Sir Leon is not likely to adopt a confrontational stance, he will be duty bound to remind China of the fairly stringent requirements for Gatt entry. China cannot, for example, expect to get in to Gatt and then negotiate terms for entry.

"We're trying to get it right before they get in," said an EU official in Beijing.

Eximbank nuclear loans criticised

By Nancy Dunne

The US Export-Import Bank has come under attack from environmental groups for supporting projects such as the Soviet-designed nuclear reactors at Temelin near the Czech border with Austria.

Mr Peter Jankowitsch, former Austrian foreign minister, is in Washington at the head of a government delegation to voice concerns about "the unprecedented merger of old eastern bloc technologies with western nuclear equipment" that could, he said, pose a safety risk for the whole region.

Speaking at a House banking subcommittee hearing, Mr Kenneth Brody, Eximbank chairman, said the bank plans to proceed with its \$317m loan guarantee backing the sale of a Westinghouse instrumentation and control system and advanced-design nuclear fuel to Temelin, unless opponents produced new, convincing information about the risks.

Improvement of procedures to assess environmental risk is already under way, he said. However, the bank could not carry out its mission if it had to conduct full-scale environmental impact statements for every transaction.

Aircraft orders boost US durable goods

By Michael Prowse in Washington

New orders for US durable goods rose 3.7 per cent between December and January – more than expected in financial markets – but the figures were distorted by a surge in aircraft orders, which are volatile on a monthly basis.

Excluding transport, orders rose 0.3 per cent, suggesting a weakening in the rate of industrial growth since late last year. Excluding defence orders as well as transport, orders declined 0.2 per cent.

Mr Ron Brown, commerce secretary, said the jump in aircraft orders – which nearly tripled between December and January – was good news for the still-depressed Californian economy. He said the figures did not include any of the new orders expected from Saudi Arabia following the $6bn (£4.1bn) deal struck this month between President Bill Clinton and King Fahd.

Some analysts had feared that a big jump in durable goods orders would cause the Federal Reserve to raise interest rates again. Yesterday, however, the relative weakness of non-transport orders was seen as further evidence that the pace of growth had slowed to a more sustainable pace after a surge in the final quarter of last year.

Reports yesterday of another increase in weekly claims for unemployment insurance, to 378,000, was seen as confirming a deceleration in the pace of job creation. However, the data on both jobless claims and civilian orders may have been adversely affected by recent very cold weather.

The increase in durable orders in the year to January was 12.6 per cent, reflecting strong gains in the second half of 1993.

Peasants say president's peace envoy has accepted least contentious demands

Mexican rebels win concessions in talks

By Damian Fraser in Mexico City

Progress is reported in talks between the Mexican government and rebels in the state of Chiapas to end the two-month-old peasant uprising.

Subcommander Marcos, the Zapatista rebels' spokesman, said about a quarter of their demands had been met after three days of talks. He said Mr Manuel Camacho, President Carlos Salinas's peace envoy, had agreed to their calls for better health facilities, education and housing in indigenous communities in Chiapas, and respect for the rights of Indian peoples.

However, such issues were always the least controversial of the rebel demands, and the government had predicted early agreement on them. The Zapatistas' apparent demand for greater autonomy for Indian peoples, and national economic and political changes will be more difficult to meet.

Subcommander Marcos said that national issues "are too big for the negotiating table" and would have to be made in agreement with opposition parties. Representatives of Mexico's left-wing Party of Democratic Revolution have met Subcommander Marcos and applauded his calls for greater democracy.

Mr Cuauhtémoc Cárdenas, the PRD's presidential candidate, said there were encouraging signs that the government was willing to make the necessary legal changes to comply with the spirit of a far-reaching accord agreed last month between Mexico's political parties.

The changes include making electoral tribunals, which judge the legality of elections, more independent of the government.

A senior government official said a special session of Congress to make the necessary legal changes was now probable.

Mr Camacho confirmed that substantial progress had been made in the talks.

In an effort to dispel criticisms that he was breaking ranks with the government which he represents, he he was in constant contact with President Salinas and he would seek support within society for any peace agreements reached.

Relationship still special but showing its age

Washington views UK alliance from an altered perspective, write Philip Stephens and George Graham

The form of their meeting has been carefully contrived to present an image of easy harmony. But the substance of the encounter will not be quite so relaxed.

When Mr John Major, Britain's prime minister, visits Washington early next week he will receive the sort of reception from President Bill Clinton which will be characterised by anxious UK officials as red carpet treatment.

After the recent storms in transatlantic relations Mr Major needs to prove that he remains a welcome and important visitor in the US capital. Mr Clinton is equally keen that the visit is seen as a success.

In a ballet of symbolism, the two will meet first in Pittsburgh, one-time home of Mr Major's grandfather. Preparations are in hand to reciprocate during Mr Clinton's trip to the UK in June, with a visit to his old college porter at Oxford, a pint in a favourite pub, and a stay at Chequers.

But the elaborate emphasis on the etiquette disguises a more complicated picture.

What Britain could once declare with conviction to be the special relationship has not been as badly damaged as some recent newspaper headlines have proclaimed.

Mr Anthony Lake, Mr Clinton's national security adviser, points out that the telephone on his desk is programmed to reach Mr Roderick Lyne, his opposite number at 10 Downing Street with the touch of a single button. Only two of his other foreign counterparts have their own button.

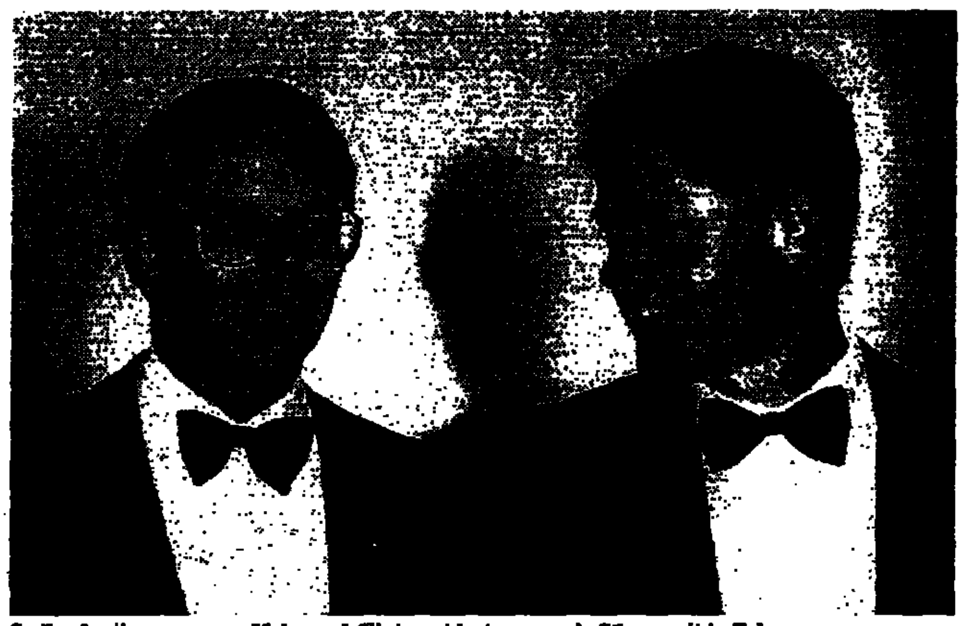
"Let me very firmly dispute that this is a relationship in trouble," Mr Lake said in an interview with British journalists this week. But nor is it as robust or as warm as Mr Major's government would like to pretend. The world has changed and with it the relevance and strength of the Anglo-American alliance.

On one level there have been the rows over Northern Ireland and Bosnia. On another there was the personal suspicion caused by the support offered to Mr George Bush by Mr Major's Conservative party in the 1992 presidential election.

The two leaders should be able to dispose fairly quickly of one of these pieces of grit in the relationship.

The message conveyed to London in recent days has been that President Clinton wants to draw a line under his controversial decision earlier this month to allow Mr Gerry Adams, the Sinn Fein leader, to visit the US.

White House officials deny that they have concluded that the Adams visa was a mistake, as their counterparts at the State Department or even the Federal Bureau of Investigations have. "We'll have to see what the results are. We can't know yet," said Mr Lake, insisting that Mr Clinton's disagreement with Mr Major was purely tactical. British officials, however, take this as a tacit acknowledgment of error.



Smiles for the cameras – Major and Clinton at last summer's G7 summit in Tokyo — AP

The talk of personal animus has also been overstated. There are aides at the White House – dubbed the "Munchkins" by one US diplomat – who will lose no opportunity to exact revenge for Mr Major's support for Mr Bush.

"I believe the president wishes he knew who they were so he could discuss with them alternative plans for employment," said Mr Lake, describing the talk of animosity as "utter nonsense". Mr Clinton is astute enough to know that relations with allies are more important than settling scores.

Bosnia – likely to top the agenda next week – is much more difficult. It has, in the words of one British minister, been the "real poison in the relationship". Britain was at the forefront last year of Europe's destruction of Mr Clinton's planned approach to the war in the former Yugoslav republic. More recently the prime minister acquiesced in the air strike ultimatum against the Serbs besieging Sarajevo only after strong pressure from the White House.

Mr Lake hotly denied Mr Clinton had told Mr Major that to do otherwise could undermine the US commitment to Nato. But senior British ministers and US diplomats said the president had done just that.

The differences have been smoothed over. But the potential for a further sharp divergence remains. Mr Major's view is that the west has a chance of imposing a settlement in Bosnia only if the US commits troops. Washington is equally determined that no troops will be sent until a political agreement is reached.

But British officials acknowledge that Mr Clinton could not obtain congressional backing for the deployment of ground troops at this stage, and that it will still be difficult if a peace agreement is reached. US involvement in the peace talks is thus seen as crucial to ensuring its later involvement in peacekeeping. "If they are helping to broker the deal, they can't cop out at the point of implementation," a senior British official said.

Mr Major's government insists with some justification that the relationship can survive such storms. Trade, cultural and economic links remain strong. In many regions of the world, notably Iraq, Britain remain's Washington's most reliable ally.

"What is strongest in this relationship is a shared confidence, and through that shared confidence an ability not only to agree on issues but to disagree," said Mr Lake.

But the ending of the cold war, the increasing integration of continental Europe, unification of Germany and the economic power of the Pacific region have changed Washington's priorities. Mr Major would do well next week to acknowledge that reality.

Inflation index to form new Brazilian currency

By Angus Foster in São Paulo

Brazil is next week expected to announce the first steps towards a new currency to replace the inflation-plagued cruzeiro real.

The move is part of an economic stabilisation plan launched by Mr Fernando Henrique Cardoso, the finance minister, aimed at tackling Brazil's annual inflation of about 2,500 per cent.

Mr Cardoso is due to launch the Unidade Real de Valor (URV), an inflation index which will eventually form the basis of a new currency. Brazil uses several indices to adjust prices and salaries regularly for inflation. But the indices measure past inflation and often add to present expectations of price rises. The government hopes its new index will eliminate such "inertial" inflation by stressing current rather than past price rises.

The value of the URV, linked to the US dollar, will be announced daily by the central bank. The government hopes that businesses will quickly switch from using cruzeiros to URVs and that the country will be able to move entirely to the new unit later this year.

The government has yet to explain many of the details of the new unit or whether its adoption will be compulsory. Workers groups are concerned that salaries will be converted into URVs on unfavourable terms, leading to a sudden fall in purchasing power.

The move follows approval by Congress on Wednesday night of a $15.5bn (£10.6bn) emergency fund to help balance the government's budget. The fund, which passed a first vote two weeks ago, allows Mr Cardoso to claim to the International Monetary Fund that the government is committed to erasing its budget deficit.

British Gas set to shed 5,000 more jobs

By Robert Corzine

British Gas yesterday counted the cost of losing its residential supply monopoly when it announced a £1.65bn exceptional charge to pay for a corporate restructuring that will prepare it for future competition.

The company said 5,000 more jobs will have to go on top of the 20,000 which it announced last year. The total number is equivalent to about a third of workforce. But Mr Cedric Brown, chief executive, would not rule out additional job cuts in future, even though the restructuring will reduce the company's cost base by £600m. He said some of the restructuring costs could be traced to government decrees that British Gas separate its storage and transportation business from its trading arm. But most of the restructuring was "management driven to get us into a form in which we can succeed in competitive markets."

Mr Richard Giordano, the new executive chairman appointed last year to help the company adopt a more competitive strategy, acknowledged that "a restructuring of this magnitude will be painful for some".

But he noted that independent gas traders had captured 73 per cent of the firm contract market by the end of 1993, compared with 49 per cent a year earlier.

Unions reacted badly to the job cuts, and demanded that the government intervene to ensure that workers are not consigned to long-term unemployment. Mr Robin Cook, the opposition Labour party's trade and industry spokesman, called on British Gas not to make any compulsory redundancies.

The heavy restructuring charges resulted in a net loss on an historical cost basis for the fourth quarter of £694m against a £234m profit the previous year. It dragged the full year figure into a loss of £285m, compared with a profit of £681m last time.

Full year operating profits of £1.68bn (£1.66bn) before exceptional charges showed that the underlying business was stable, although competitors continued to increase their market share in those segments of the industry already open to competition.

The restructuring charge was generally welcomed by analysts, who said it showed that British Gas was serious about cutting costs.

But British Gas shares fell 11 pence to close at 328p.

Standard & Poor's, the international credit rating agency, revised its outlook on British Gas's long-term rating of double-A plus to negative from stable.

Last December the UK government decided to abolish British Gas' monopoly in supplying 18m households in a programme which will be phased in over two years until 1998.

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Paying a high price, Page 24

Tory right press for further cut in interest rates

By Philip Stephens, Political Editor

Mr Kenneth Clarke, chancellor of the exchequer, is facing mounting pressure from Tory backbench MPs to order a further cut in interest rates to speed the pace of recovery.

Senior figures on the Tory right, led by Mr Kenneth Baker, former home secretary, are urging Mr Clarke to overrule the Bank of England and order a cut of at least 1 point in base rates from their present 5.25 per cent.

Many of Mr Baker's colleagues on the centre and left of the party are also beginning to warn that unless there is at least a small further cut, the government faces a rout in this summer's local and European elections. That view is being echoed privately by a number of government ministers who believe Mr Clarke was wrong to allow the Bank to limit the cut in rates earlier this month to only 0.25 per cent.

Mr Clarke himself is said to have been frustrated by the Bank's caution. Some of his colleagues believe it will temper his enthusiasm for allowing it a more significant role in monetary policy.

The chancellor is also boxed in by his own public commitment to aim for a steady, sustainable recovery with inflation staying low rather than for a rapid burst of economic growth with a risk of a renewed acceleration in price rises. That broad objective is widely shared across the party at Westminster. It is also clear that Mr Baker's view that interest rates could comfortably be reduced to 4 per cent is confined largely to the right of the party.

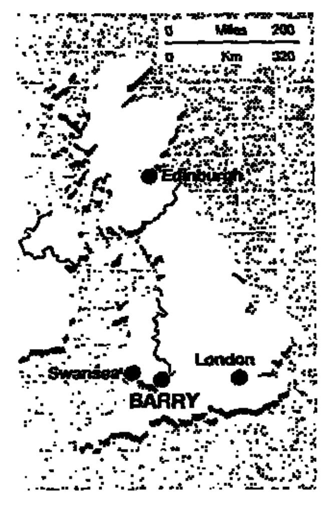
But with the underlying inflation rate still subdued there is a growing consensus that Mr Clarke should move swiftly to reduce rates to 5 per cent and pencil a further cut to 4.5 per cent in April to coincide with planned tax rises. Some ministers share the view on the backbenches that the Treasury has significantly underestimated the damaging impact on confidence of the tax rises, which will add more than £12 per week to the income tax bill of the average household.

Despite the recent increase in the rate of annual retail price rises to 2.5 per cent, many Conservative MPs appear convinced that the Bank is continuing to exaggerate the inflationary pressures in the economy.

But in any event there is an emerging consensus that the risk of an upsurge in inflation is far outweighed by the potential threat to the government – and to Mr Major's own position – of heavy defeats in the local and European elections.

Holidaymakers in 1936 watching the steamers passing through Barry docks in south Wales

Welsh docks may live again



By Roland Adburgham, Wales and West Correspondent

A £20m scheme to redevelop derelict docklands at Barry, south Wales, was launched yesterday in an attempt to regenerate what was once the world's busiest coal port.

Planning consent is being sought for housing, shops, business premises and leisure facilities on 180 acres of land which were formerly rail marshalling yards. The scheme is a joint initiative by Associated British Ports and the Welsh Development Agency.

Site clearance has started and an access road linking the docks with the town is being built by Vale of Glamorgan council. Next month an initiative to regenerate the town itself will be launched by the council, South Glamorgan county council and the WDA.

The deepwater port opened in 1889 with a railway line connecting it to the Rhondda coal mines. Within a decade a town of nearly 30,000 people had grown up, only 10,000 fewer than the present population. Today, the working port principally consists of a purpose-built fruit and general cargo terminal with storage and an annual cargo capacity of about 300,000 tonnes.

Barry Stevedores, a workers' co-operative, was set up in 1990 when 80 former employees signed an agreement with Associated British Ports allowing them to service cargoes from fruit company Geest. But Geest later moved operations from its long-established Welsh base to Southampton.

Former minister defends Iraq role

By Jimmy Burns

The disclosure in the Matrix Churchill case of information which the government tried unsuccessfully to suppress has undermined public faith in the standards of public service, former foreign office minister Mr Tristan Garel-Jones told the Scott inquiry yesterday.

Mr Garel-Jones said that he himself had never had "the slightest doubt" about the propriety of signing a public interest immunity certificate seeking to restrict information.

But much of his evidence to the inquiry underlined the extent to which ministers concerned have felt under increasing political pressure over the arms-for-Iraq affair.

Mr Garel-Jones, a Conservative MP who served as deputy chief whip under Mrs Margaret Thatcher, said that because of what he claimed was misleading media coverage of the exports-to-Iraq affair, he had to explain to his constituents that ministers were not involved in "some skulduggery".

Mr Garel-Jones said: "Quite a substantial number of my constituents have written to me saying how could you possibly involve yourself in gagging... I believe that the suggestion [that the government was secretly arming Iraq] to be wholly unfounded and to have been fed by the release of these papers."

He also issued a personal defence of the role in the Iraq affair of Mr William Waldegrave, his predecessor as foreign office minister. Mr Waldegrave told the Scott inquiry in October that he approved the export of Matrix Churchill machine tools in spite of intelligence reports linking the company to a munitions contract.

Britain in brief

Universities act to raise private funds

British universities have appointed European Capital, the investment banking boutique, to draw up a blueprint for them to raise finance from the capital markets.

They plan to use the extra funds for academic capital projects, such as new libraries, lecture theatres and lecture halls. The Committee of Vice-chancellors and Principals last year estimated that the UK universities' total need for extra capital spending in addition to that already provided by the government was £3.3bn.

Mr John Avery, head of estate management for the government's English higher education funding council, which will be paying European Capital's fees jointly with the vice-chancellors, said: "We see the partnership as becoming more and more dominated by the universities because clearly there is not enough public money generated through us to support their capital needs."

European Capital's brief is to prepare a blueprint for a financial vehicle company in which a syndicate of universities would raise money. By raising money through a vehicle company, universities hope to borrow on more favourable terms than would be available normally.

Legal threat to Channel rail link

A proposal to route the fast rail link to the Channel tunnel through unspoiled countryside west of Ashford in Kent yesterday prompted the threat of legal action from local residents. The Mayday action group said it would be the first legal challenge to the rail route.

The line at Ashford is one of two short sections of the rail link which were not finally decided by Mr John MacGregor, transport secretary, when he announced the route last month.

● Planning directions which safeguard the route of the Channel tunnel rail link and trigger the procedure for blighted homes to be bought by British Rail come into effect today.

This means that anyone seeking planning permission to carry out work on the safeguarded route must obtain the approval of Union Railways, which is preparing the line for BR. Union Railways will offer to buy homes in the safeguarded zone or close enough to be seriously affected. Homes above tunnels are not covered.

Active role for investors sought

One in five of the 250 largest UK-quoted companies meet all important criteria of best practice in corporate governance and 75 per cent meet most of them, says a report compiled by the National Association of Pension Funds' Voting Issues Service after its first year of operation.

That was described as "encouraging" yesterday by Mr Angus Matheson, retiring chairman of the NAPF investment committee, at the association's investment conference in Eastbourne.

Speakers called for active voting by institutional investors, for the revival of the role of the annual meeting, and proposed attacks on the management of poorly performing companies.

The Voting Issues Service monitors the 250 companies for controversial proposals requiring shareholder approval. It supplies details to more than 60 fund management firms running portfolios worth some £200bn in aggregate. It also tests against a checklist of eight corporate governance criteria, including division of the roles of chairman and chief executive, presence of three or more non-executive directors, and the existence of remuneration and audit committees of the board.

Mr Matheson told delegates that the service had been well-received but institutional owners of shares should go further and exercise voting rights.

Mr Dale Hanson, chief executive officer of the $82bn Californian public sector pensions system, Calpers, and veteran of many US proxy battles, told delegates that institutional investors must be active in pursuing the boards of underperforming companies. "We are going to remind the world that shareholders are the owners," he said. "We will be targeting 10 companies this year."

Royal Opera House scheme

The Royal Opera House in Covent Garden, central London, has dropped proposals to help fund its redevelopment by building commercial offices, plans unveiled yesterday show.

The scheme, which was drawn up by Stanhope Properties, depends on securing funds from the Millennium Fund from the planned National Lottery and from public appeal.

The redevelopment of the opera house will modernise its stage facilities, provide more seats, restore the adjacent Floral Hall building and give the Royal Ballet a home at Covent Garden. These plans were described as the final revisions to the scheme to redevelop the opera house, which have been under way for the past 10 years. The Opera House won planning permission in 1990 for a scheme which incorporated commercial office and retail space. But the proposals were criticised by conservationists and became less commercially attractive as a result of the decline in the property market.

More women scientists urged

The government should set a target of filling 25 per cent of its senior scientific posts with women by the year 2000, an independent advisory committee said yesterday. At present women make up about 12 per cent of such appointments.

The Committee on Women in Science, Engineering and Technology – set up last year by Mr William Waldegrave, minister for science – put forward recommendations for encouraging more girls to study science at school and to make their careers in research.

The proposals range from broadening the secondary school curriculum to making research grants more flexible so that women scientists can work part-time when they have family commitments.

Billions ride on Malaysian mood

Robert Peston and Kieran Cooke on how Britain may stand to lose

Industrialists and bankers were horrified yesterday by the news that the Malaysian government was planning to cease giving business to British companies.

"We are doing everything we can to get the Malaysians to change their minds," said a banker involved in financing Malaysian trade. "Otherwise years of marketing and billions of pounds of potential contracts will go down the drain."

At a press conference this morning in Kuala Lumpur, Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, is expected to announce that British companies will no longer be invited to bid for government contracts.

He will say existing contracts will be honoured, but will give no time limit on the embargo on new business. That could prove extremely costly for British companies which, the banker said, were currently negotiating government contracts worth £2bn.

A UK-Japanese consortium including Trafalgar House, Balfour Beatty, Gammon and G-Mats (part of GEC) has signed a memorandum for development and project management of a new M$13.5bn (£3.4bn) international airport for Kuala Lumpur.

The initial contract was worth a comparatively modest amount. The expectation was that bigger contracts would have gone to British companies. These companies were informed yesterday morning that they would not be getting any of these more profitable contracts, according to a businessman.

British companies including National Grid, PowerGen and Rolls-Royce, are negotiating contracts in Malaysia's fast expanding power sector.

British construction and engineering companies, including John Laing, Bovis and John Brown, have won substantial contracts in Malaysia and were hoping for bigger things as Malaysia's gears up to spend millions on infrastructure. Laing has been negotiating a contract on the construction of a £200m-plus military base at Mersing.

An adviser to the Malaysian government said the action was being taken because of "tendentious British reporting" of the way UK companies and the UK government had negotiated government contracts.

The Malaysian prime minister, Dr Mahathir Mohamad, has been particularly incensed by press allegations that he was somehow linked to Malaysian officials who were allegedly in receipt of bribes.

"He is sick to death of the press attacks," said a leading British businessman.

Dr Mahathir has enormous power and influence in Malaysia. He has been in power for 13 years. A government adviser said ministers viewed attacks on Dr Mahathir as attacks on Malaysia.

This will be the second time Dr Mahathir has launched an embargo on British trade. In October 1981, he initiated a "Buy British Last" policy, which was maintained for three years, following the withdrawal of British government subsidies for foreign students in Britain.

Dr Mahathir frequently attacks what he feels to be western arrogance – whether it concerns world trade, the environment or human rights. "Sometimes you have to be a bit notorious to be a bit famous," said Dr Mahathir recently. "In order to be known you have to be nasty."

Baroness Thatcher worked assiduously and successfully to rebuild the relationship with Malaysia. She and Dr Mahathir now have a high regard for each other. Since 1988, when she signed a memorandum of understanding with him on £1bn of UK defence sales to Malaysia, British companies have won a series of profitable contracts.

Britain has made an estimated £1.3bn of defence sales to Malaysia since 1988, and British companies have won civil projects worth considerably more than that. British exports to Malaysia have risen from £227m in 1986 to £862m in 1993.

But relations with the British government deteriorated last year because Dr Mahathir was highly critical of what he viewed as Britain's inadequate support for Bosnia's beleaguered moslem community.

Dr Mahathir and his cabinet then became annoyed by criticism in the British press and parliament that the £1bn arms deal was won because the government gave £234m of aid for the building of a hydro-electric dam at Pergau.

"They can't see what all the fuss is about," said a British businessman. "After all, they want the dam and it's being built by British companies."

Court rules on contracting out

By Robert Rice, Legal Correspondent

The contracting out of services performed by just one employee is covered by the European Union's transfer of undertakings rules, according to a preliminary opinion of the European Court of Justice.

The opinion of advocate general Mr Walter Van Gerven in the Schmidt case – that the European Acquired Rights Directive can apply to the contracting out of cleaning services carried out by one cleaner – has significant implications for the UK government's flagship policy on the contracting out of public-sector services.

The directive, which was translated into UK law by the Transfer of Undertakings (Protection of Employment) Regulations 1981, known by the acronym Tupe, protects the jobs and conditions of employees when the undertaking they work for changes hands.

New employers must take over all existing contracts of employment, consult with unions and honour collective agreements.

Confusion over whether Tupe applies to contracting out has thrown the government's compulsory competitive tendering and market testing programmes into confusion.

The advocate general's opinion follows the approach taken by the European Court in an earlier case involving the contracting out by Philips, the Dutch electronics company, of a staff canteen. But the court said whether the transfer rules applied to a particular service was a question for national courts.

Mr Van Gerven said cleaning services were an economic activity to which the directive applied and the fact that an activity was carried out by only one person did not prevent the rules applying.

He reiterated that for there to be a transfer the service had to form an identifiable "economic entity" which existed either independently or as part of a greater organisation.

Although the advocate general's opinion is not binding on the court it is likely to be followed by the European judges when they come to deliver their judgment in the summer.

Contractors said yesterday they were becoming resigned to the idea that Tupe was capable of very wide application to contracting out. The question was whether the English courts would now follow the European Court's approach.

Manufacturers see modest economic growth ahead

By Emma Tucker, Economics Staff

British manufacturers saw the best improvement in order books for four years in February, but have lowered their expectations for economic expansion.

The Confederation of British Industry yesterday joined other forecasters in predicting that the economy was poised for only modest growth – 2.3 per cent this year and 2.4 per cent next. The CBI said that the downward revisions from last November's forecasts – 2.4 per cent and 2.8 per cent respectively – reflected the expected impact of tax rises and public spending cuts over the next two years.

Meanwhile, its latest industrial trends survey showed that the net proportion of companies assessing order books as below normal is the least negative since September 1989. Some 19 per cent reported their books to be above normal, while 30 per cent said they were below. The negative balance of 11 per cent compares favourably with negative balances of 21 per cent and 36 per cent in January and February last year.

Export order books are also significantly better than they were a year ago, although there has been no improvement since December, suggesting a rise in home demand.

The survey, carried out between January 24 and February 16, covered 1,360 of the UK's biggest manufacturers, which account for about half of manufactured exports.

It shows that slightly more companies expect to increase domestic prices in the next four months than to reduce them. The CBI expects inflation to reach 3.1 per cent by the end of this year and 3.7 per cent by the end of next. The underlying measure – which excludes mortgage interest payments – will stay within the government's 1 per cent to 4 per cent target range, but nearer the top end than the bottom.

Mr Sudhir Junankar, the CBI's associate director, said: "Last November's Budget introduced a more restrictive stance on personal taxation than we had previously anticipated. This has contributed to our downward revision of growth in national output."

He added that the tax changes had also altered the composition of economic growth. Consumer spending was now expected to rise moderately this year and next.

The CBI expects the balance of payments to stay flat this year at about £9.7bn – compared with £9.5bn last year – as recovery in continental Europe leads to a rise in exports. Unemployment will fall only slowly.

A cut in Scotch whisky production of between 5 per cent and 7½ per cent this year is needed to reduce a damaging surplus of stock, a report published today says.

The report, by Mr Alan Gray, a whisky analyst with Sutherland & Partners, the Edinburgh securities house, says production must fall for the fourth consecutive year, although the reduction need not be as severe as the 15 per cent cut made in 1993.

He expects this cut to bring stocks largely into line with consumption, although production will need to be held at the lower level through 1995.

Whisky distillers have been hit by falling demand for four years, but the market recovered slightly last year, and further improvement is expected this year.

Despite recession in many overseas markets, Sutherland says whisky exports increased last year, with exports of Bottled in Scotland blends up 2.7 per cent by the end of November.

Total exports were more than £2bn for the first time, maintaining Scotch whisky's position as one of the UK's most important exports.

Surge in business air travel forecast

By Rachel Johnson

Britain's airports are set for a surge in demand for air travel, government forecasts published yesterday show. Business travel will outpace leisure traffic and regional airports are to see faster growing demand than London airports.

The Department of Transport predicted that air traffic at London and regional airports is to grow by up to 163 per cent between 1992 and 2010 – an annual rate of between 3.1 per cent and 5.5 per cent – provided there are no constraints from shortages of airport or airspace capacity.

By 2010 the numbers of international and domestic terminal passengers at UK airports will have risen to 279.5m from 106.1m in 1992, according to the government's higher estimates of demand.

Regional airports are expected to experience faster growth than London, with the proportion of passengers using regional airports rising to about 40 per cent by 2010 from 35 per cent in 1992.

While business travel is poised for an escalation in traffic, the forecasts predict a "tailing off" in leisure travel by UK residents.

A health warning

Vanessa Houlder on a report that calls for improved management of property holdings

The relaxed approach to property characteristic of many British boards has given way to a more hard-headed consensus: bad property management can damage a company's competitiveness.

This sea-change in corporate attitudes is underlined by a study of finance directors' views on property, conducted by consultants Graham Bannock & Partners for Hillier Parker, chartered surveyors.

"Many UK companies have only begun to think about the true economic cost of their property assets in the last few years," says the report, published this week. "Few companies will be able to neglect the scope for cost savings and enhanced risk-control strategies in this field."

The reasons behind this shift in attitude include changing economic conditions, increased competition, the effects of the UK recession and heightened awareness of the potential risks associated with property.

For the three decades after the second world war, corporate planners attached little importance to property. Companies were willing to buy their premises, as low interest rates encouraged borrowing, and they benefited from rising real property values.

By the 1970s, the rise in real values meant that many companies owned valuable freehold property in top locations. Moreover, property ownership fitted in with the trend favouring a diversified portfolio of products and services.

But in the past 20 years attitudes have again begun to swing. Companies have increasingly seen their property holdings as "a mis-allocation of scarce resources rather than a solid bulwark of support", the report says.

The increase in real property values has slowed since the 1970s. An increasingly competitive business climate forced companies to specialise in a narrow range of core activities, which generally excluded property investment.

This more focused approach added weight to the argument that cash locked up in property assets should be released. "If the rate of return on the company's assets exceeds the expected appreciation of property assets, the latter should be sold and the money invested in the business," says the report.

The recession has sharply increased awareness of the potential risks associated with property. First, the problems of many financially-strapped companies were compounded because they occupied properties with long-term leases and therefore could do little to cut their rental costs. Second, companies were hit by 'privity of contract' – they were liable for the rent on buildings they had vacated, even if they had passed on their lease to a tenant that had defaulted. Third, companies that owned freeholds were badly affected by the downturn, as banks cut credit for companies with loans secured on tangible assets.

Besides market changes, new accounting rules have also forced finance directors to reassess the real economic costs of their property assets. These rule changes include the requirement for more consistency in how fixed assets are represented on a balance sheet.

Companies are also becoming more aware of the scope to raise profitability and returns on property assets. In a survey of 111 companies in the report, 26 per cent said there was "considerable scope" for reducing property costs.

The rewards of tighter property management, the report says, are considerable. Success depends on a business's net profit margins. When net margins are only about 7 per cent, a reduction in costs of, say. 0.65 per cent due to better control of property overheads translates into an earnings rise per share of about 10 per cent.

The scope for improving property management varies between different companies. The best-run portfolios are those belonging to companies for which property is an integral part of their core business, such as banks and hotels.

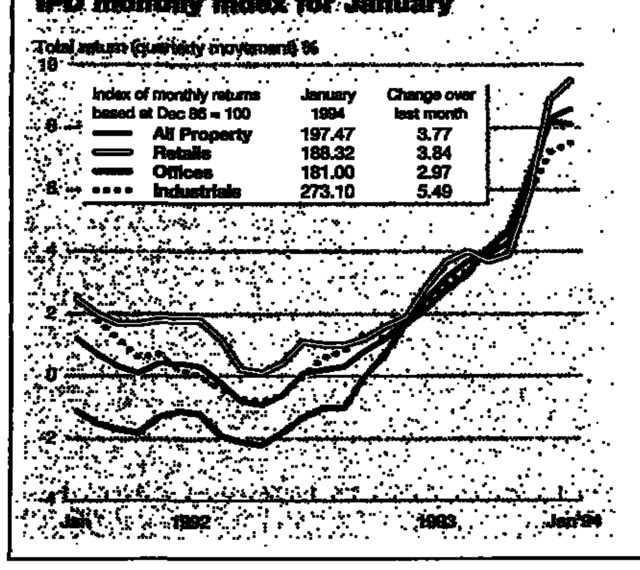
Another group of companies which tends not to be too concerned about its property costs are those operating on high net profit margins – such as the pharmaceutical industry – or companies where property assets are small in relation to the balance sheet – as in financial services groups.

The companies that have the greatest need to address their property costs are those in mature industries. Such companies trade on smaller profit margins and have the widest scope for rationalisation. Moreover, they often have a complex property portfolio as a result of re-organisations, mergers and rationalisation.

The report says that improving property management is not easy. Companies may wish for greater flexibility in their leases, but they may be stymied by landlords anxious to retain long leases.

Companies operating in a low-inflation and competitive climate will continue to be under pressure to cut overheads. Those with over-extended portfolios have little choice but to get to grips with their property costs.

IPD monthly index for January



The growth in commercial property capital values fell from 2.9 per cent in December to 1.2 per cent in January, according to the Investment Property Databank, a research group, writes Vanessa Houlder.

Total returns from commercial property remained strongly positive at 1.9 per cent.

The rate of decline in rental values in January was unchanged from December, at -0.3 per cent. No sector or region shows clear signs of an upturn in rental values.

Total returns slowed across all sectors. Industrials and retails both returned 2.1 per cent for the month, while offices fell back into third place with a total return of 1.7 per cent.

Total returns for offices in January fell to 1.7 per cent on the back of a fall in capital growth to less than 1 per cent. Equivalent yields in the industrial sector shortened from 10.5 per cent in December to 10.3 per cent in January. Total returns and capital growth of the industrial sector were 2.1 per cent and 1.2 per cent respectively.

Six new funds have been added to the IPD monthly index in January, increasing its total capital value by 17 per cent to £3.14bn.

The monthly IPD charts of quarterly returns are no longer adjusted to show annualised movements. This is to prevent a strong short-term performance from giving an unrealistically high impression of achievable returns.

MANAGEMENT

CHRISTOPHER LORENZ

Nothing is forever in business alliances

We will probably never know exactly what Nobuhiko Kawamoto told the chairman of BMW in Tokyo on Monday. The disgruntled president of Honda had two main agenda items: in the wake of BMW's bold purchase of majority control in Rover three weeks ago, he informed the German car company boss of Honda's decision to sell its minority stake. And the two men explored the future of Honda's various joint projects with Rover.

If Kawamoto had been entirely frank and open – which is most unlikely given the cross-cultural sensitivities involved, and Honda's patent need to display maximum outrage in order to squeeze higher licensing and other fees out of Rover – he would have said something like: "Don't cry for me, Pischetsrieder."

The hurt which Honda is suffering is far less than politicians and commentators of various nationalities have suggested in a spate of emotional outbursts.

The complainers are right to the extent that breakdowns of the Honda-Rover kind are rare. Alliances usually end amicably, either in parting, or by one side acquiring the other. But it is not unknown for one partner to leave the other in the lurch, either to go it alone or to team up with a rival. Contrary to conventional wisdom, the loser is occasionally Japanese.

Kawasaki drew the short straw two years ago, for instance, when its close and long-standing collaboration in helicopters with MBB (by then part of Deutsche Aerospace) ended after the German company created a joint venture, Eurocopter, with Aerospatiale of France. On a smaller scale, Mazda was dropped by Ford on a minivan development project, in favour of Nissan.

But in most other senses the tears of the pro-Honda lobby are unwarranted. Contrary to all the allegations of "betrayal", there are only two sensible interpretations of the way Honda allowed Bernd Pischetsrieder and BMW to steal a march on it.

The less likely, in spite of Honda's display of jilted honour, is that in its hour of need the Japanese company somehow lost the adroit political instinct which it has always displayed in the past, in every aspect of its dealings with business partners and governments.

According to this reading of events, Honda was caught out because it forgot several fundamental rules for collaborating in the sort of "strategic alliance" it has had with Rover. As Jordan Lewis, an American alliance specialist, says, a key maxim is that "alliances survive only as long as each company regards the other as its best partner. So each must take what steps it can to ensure that the other continues to need it".

Another rule is that each partner should negotiate an "exit strategy" at the beginning of the relationship – and revise it as the years pass – in case mutual need disappears, or the shared objectives change.

> **The Honda-Rover alliance was already more than twice the average age of similar partnerships**

The second interpretation of events seems far more likely: that Honda realised precisely what was going on, but that it took a cold business decision that a majority stake in Rover was either not worth the cost, or would tie its hands too much in the long run.

According to this reading of events, Honda had its exit route well-prepared. Unusually for the junior partner in an alliance, Rover certainly did too, by developing its independent skills in engines and other key areas of the business.

In stark contrast to the division of opinion among politicians and journalists, there is a remarkable convergence of views among the academics and consultants whom I have polled this week.

From vantage points in Italy, France, Washington and California, they all argue that, even without BMW's intervention, the 15-year-old Honda-Rover alliance would have come to an end or been scaled back within the next five years. It was already more than twice the average age of similar partnerships. This would have happened in one of three ways: through a complete parting; through Honda's full integration of Rover; or through the sort of watering down which is now occurring.

As these experts argue, there is a natural life cycle for the sort of alliances which, as with Honda-Rover, are constructed to give one company market access and initial production scale in a particular region of the world, while in return its local partner borrows technology and management skills – and sometimes also reaps a production benefit.

"For most companies, that's all part of the process of internationalisation – such agreements make sense for a while, but not for ever," says Yves Doz, an Insead professor who is writing a book on global alliances. "Eventually, the partners call it quits, or one takes full control."

Once the incoming company gains sufficient market access and production scale to be viable on its own – including through the supply of parts or complete products from its factories elsewhere in the world – the need for a regional partner often disappears.

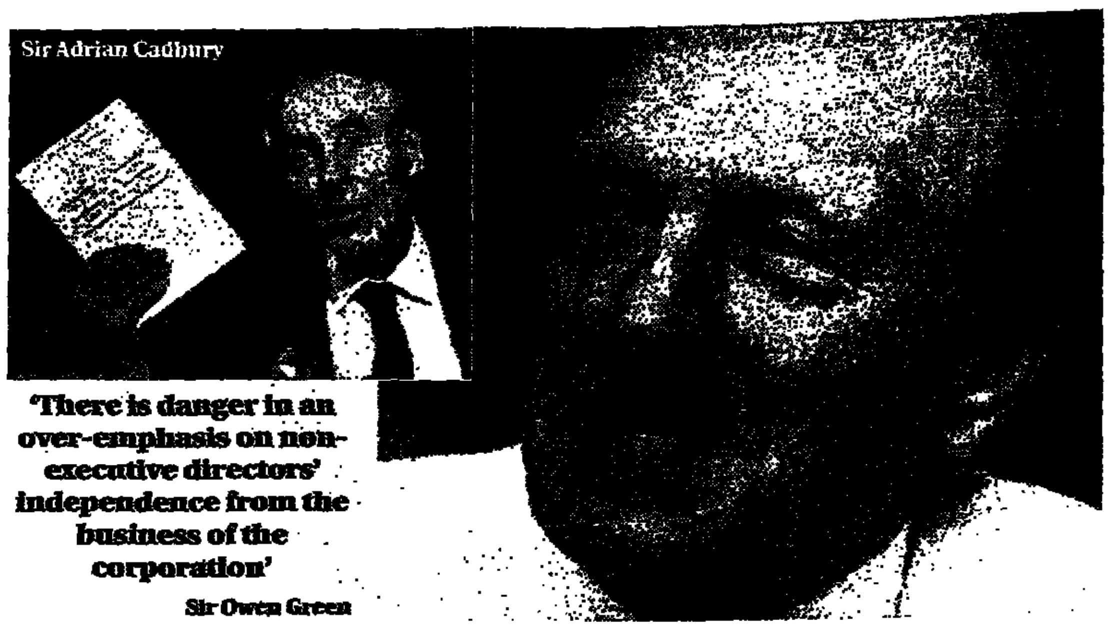
Honda can already meet the first of these conditions, now that it has decided to continue – at least for a few years – the cross-supply of parts with Rover. Such a relationship is perfectly normal between rivals these days in all sorts of industries, including cars.

With local sales from its US production base stagnating, it also meets the second condition. It has plenty of capacity to supply its UK assembly plant with parts from the US, even if some of them will have to be redesigned. And it already exports several complete models from the US to Europe.

So the value of the Rover alliance to Honda was set to decline in any case. In the words of Joel Bleeke and David Ernst of McKinsey & Co, alliances are a form of "arbitrage" in which the value of each partner's contribution varies over time. In the alliance business, nothing is forever.

In London last night **Sir Owen Green**, former BTR chairman, delivered the Pall Mall Lecture on UK corporate governance. The following are edited extracts

Cadbury critique



Sir Adrian Cadbury

> **'There is danger in an over-emphasis on non-executive directors' independence from the business of the corporation'**
>
> **Sir Owen Green**

It is important to recognise that the Cadbury Report (on UK corporate governance) of 1992 does not have the force of law but that it will have legal consequences. Our company law concepts and our bases of liability stem from the fundamental premise of a unitary board. The consequence of an endeavour to obtain a "half-way house" between unitary and two-tier boards must create legal confusion. In the event that the courts are involved in any issues of governance they will take the (Cadbury) Code as representing the reasonable requirements of directors.

One questions whether non-executive directors appreciate that their personal liability may have been substantially increased. Their basic duty of care and skill would formerly have been governed by the concept of *subjective* reasonableness as determined by their personal background and experience. Executive directors owe a more onerous duty to be judged by *objective* reasonableness, irrespective of their personal abilities. The strength of this distinction may have been diluted, perhaps extinguished, in the case of members of audit, remuneration and nomination committees whose personal liability may have been increased.

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Cadbury further defines the role of auditors as that of providing the shareholders with an external and objective check on the directors' financial statements. It then adds that the framework in which auditors operate is not well designed to provide objectivity because:

a) Accounting standards currently allow too much scope for presentation and auditors cannot stand firm against the client's choice of accounting treatment if that is within permitted standards.

b) Auditors have to work closely with management and will wish to have a constructive relationship with their clients.

Why might auditors wish to "stand firm"? If their objection is strong enough why would they not seek to add a rider to their report? Why are there so many bodies currently engaged in producing new standards, often additional and usually controversial? Who are seeking these innovations? Is it the shareholders in whose interests, mainly if not exclusively, these standards exist?

Have we not arrived at a point at which the average investor – even the average analyst – is bemused by a growing complex of figures accompanied by ever-lengthening notes couched in professional language, supported by a chairman's report, a chief executive's report, a finance director's statement, an environmental report and now a corporate governance statement?

As for b), it is indeed sad to read words in which the barely concealed meaning implies that auditors are hired by managements whose wishes are to be taken as instructions, provided they do not breach the broad and versatile accounting standards.

Another feature of the poor framework for objectivity expressed by Cadbury reads: "To the extent however that audit firms compete on price and on meeting the needs of their clients [this must mean the management], this may be at the expense of meeting the needs of the shareholders."

These reflections offered by 12 good men and true indicate the level of general regard to which the auditing profession has fallen.

Shareholders should expect their company's auditors (not the management's auditors) to challenge the management views where the auditors' principles are involved and to reject those views where they encourage or condone management bias against shareholder interests.

An in-depth review of the auditing profession is well overdue. The risk of confusion of the role of auditor with that of management consultants et al must be eliminated. Secure the auditor's independence by requiring any change to be made by a special or extraordinary resolution of the company. Consider limitation of his liability in certain circumstances. Restore his role as professional watchdog (but not bloodhound), releasing non-executive directors to more constructive purposes.

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Many people might take the view that the spectacular corporate failures of recent years, rare as they have been, were more due to the neglect of requirements of commercial, corporate or common law or inadequacy of due diligence. The Cadbury recommendations will not eliminate those hazards or shortcomings.

However, it should be recognised that the talent that can identify, achieve, or introduce wealth-creating innovation is rare.

Fear of failure, which has often been a strong motivator, can also lead to reactionary behaviour which fosters regulatory inhibitions which are then presented as safeguards.

There is danger in an over-emphasis on monitoring; on non-executive directors' independence from the business of the corporation; on controls over decision making activities of companies. When coupled with the clearly reduced status of executives on the governing boards, such requirements must blunt the competitive edge and deflect the entrepreneurial drive which characterises participation, let alone success, in a free market.

The emphasis on the special role of the non-executive director has by definition to be on non-executive matters. In stressing his independent judgment, his appointment for a specific term, his requirement to review the performance of the board and the executive, Cadbury casts his role as chiefly that of a watchdog.

One only has to read the media reaction to corporate failures of recent years and months to accept that the general expectation of these appointments is as watchdogs and it will be the most human of consequences that the watchdog role will be predominant.

The fading reality of a unitary board will be further diluted by continuing emphasis on the distinctive roles of non-executives in governance. In that event the introduction, de facto, of the upper tier Teutonic shield of the great and the good will not be long delayed.

What an irony it would be if the behaviour of non-executive directors under the influence of some of the Cadbury proposals succeeds in persuading executives of the advantage of such a change.

CAN EUROPE COMPETE?

Manufacturing

Either get smarter or else get poorer

European manufacturing risks being too inept to equal the US and too lazy to match developing economies, says Tony Jackson

Just how serious is Europe's industrial competitiveness problem? The question falls into two parts. On the one hand, industry in Europe is by no means exclusively controlled by Europeans. Much is in the hands of American, Japanese and other foreign corporations. On the other, the big European companies are by no means confined to Europe, but conduct their operations around the world.

The first set of questions thus concerns employees located in Europe: how far can they compete with workers elsewhere, regardless of who employs them, and to what extent can they attract investment and technology to Europe?

The second has to do with European managers. Regardless of where they operate around the globe, how well can they compete against their US or Japanese rivals? How successful, in a global context, is the European business culture?

The distinction between these issues is clearly illustrated by a company like Unilever. With its Anglo-Dutch origins and head offices in London and Rotterdam, Unilever appears a classic and highly successful European company. But more than half its operating assets are now outside Europe. Its European workforce has shrunk by a third over the past decade, while its global employment has remained constant overall.

In such cases, European corporations are part of the mechanism whereby jobs are exported from Europe. The interests of European workers and managers are, thus, in one sense opposed. Certainly, if the footloose European manager does a good job outside Europe, wealth will flow back to the European parent via dividends. But dividends form only a very small part of the wealth created through the value-added chain. And in today's global financial markets, many shareholders in Unilever, Shell or Siemens are not European.

The performance of European workers is best examined on a macroeconomic level, particularly since the picture varies between EU countries. First, employment. An OECD study of 13 leading industrial countries calculates that, in the past 20 years, manufacturing employment overall has fallen by 8 per cent. But in Europe it has fallen 20 per cent (35 per cent in the worst casualty, the UK). In the US it has barely changed, while in Japan it has risen by 2 per cent.

A similar picture emerges of the contribution of manufacturing to the economy. The figures are tricky to interpret, since manufacturing's share in any developed nation tends to fall as a result of rising productivity and lower prices. The issue is what is happening to industry's contribution to GDP in volume terms; that is, at constant prices.

On that measure, the OECD reckons that in most European countries – including Germany, France and the UK – the share of manufacturing has fallen over the past 20 years. In the US it has stayed roughly the same. In Japan it has risen.

In terms of research and development, the picture is rather less gloomy. Between 1970 and 1990, according to a separate OECD study, the EU's share of industrial R&D rose from 27 per cent to 28 per cent of the OECD total, while the US share fell from 51 per cent to a still-dominant 45 per cent.

As for inward investment, the picture is cheerful. In 1985, a third of the world's direct inward investment entered the EU. In the late 1980s, the figure rocketed, and by 1990 reached almost half. Some, such as Japan's investment in cars and photocopiers, owed much to the formation of the single market and the threat of Fortress Europe. Yet, it remains a corrective to the idea that the rest of the world no longer sees Europe as a place to make things.

But what does Europe now make? Japan's contribution notwithstanding, the OECD's 13-country study suggests some dispiriting answers. Take, for instance, the share of world export markets in manufactured goods. Over the past 20 years, the US has seen its position eroded by Japan, while Europe's position has stayed roughly stable.

Within that, though, there has been a tendency for Europe to export more low-technology goods, such as Italian textiles, and fewer high-technology goods, such as computers. In Japan, the trend is the reverse: high-tech sectors provide the fastest growth.

The picture is borne out by data in a recent European Commission publication which ranks sectors in the EU that gained competitiveness in the period 1986-91 and those that lost it. The top sectors are wood processing, ethyl alcohol, cotton manufacture and leather tanning. Among the worst are computers, office equipment, medical equipment and motor components.

Before Europeans become too depressed, however, it is worth examining the other side of the coin: the competitiveness of European management in the wider world.

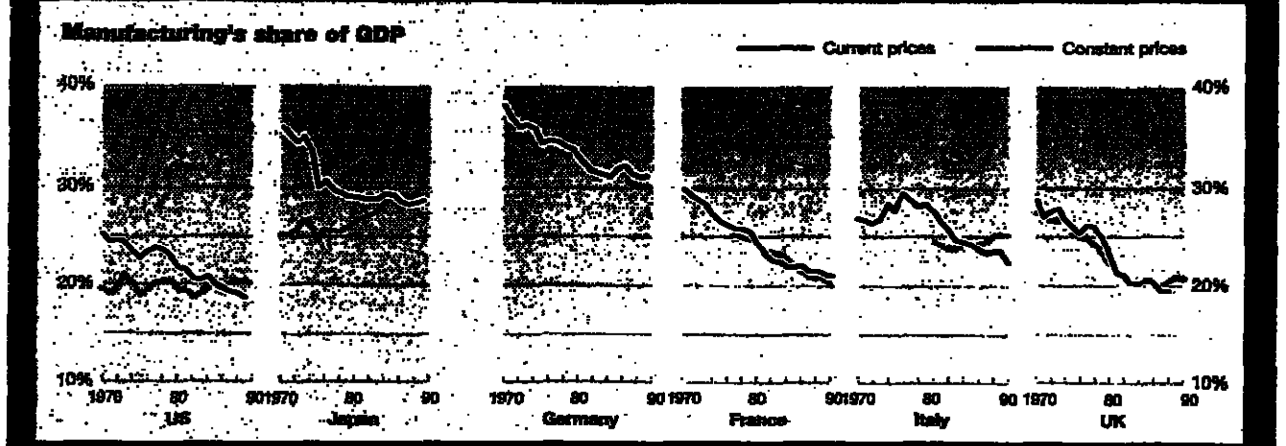
American executives tend to dismiss Europe as an international competitor. But as a senior executive at Siemens, the German electronics giant, remarks, Americans wrote off the European electronics industry a decade and more ago. Yet, in the past decade Siemens's sales in the US have almost trebled to $5bn, while its US employees have gone from 13,500 to 33,500.

European Commission figures tend to support this observation. In a ranking of the world's top 200 industrial groups by turnover, the EU plus EFTA accounted for 73 companies in 1986, against the US's 79. By 1990 the European total had reached 79, against the US's 68. Europe also overtook the US in share of turnover, with 40 per cent versus 37 per cent. Some of this may be due to currency movements: but there is no doubt European giants like Shell, Roche or Unilever are the equal of their international competitors.

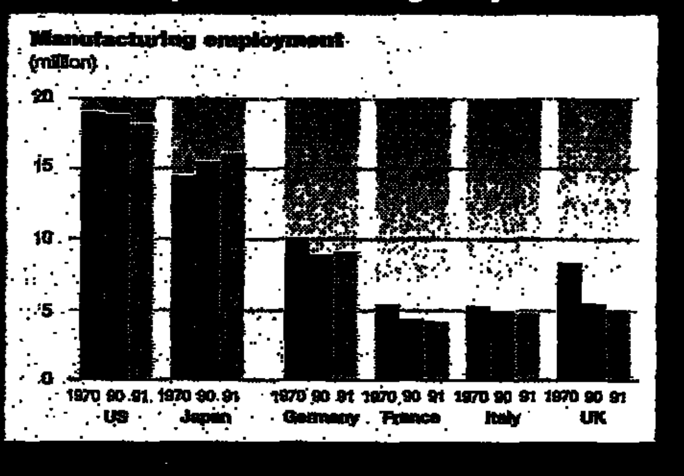
Having a number of star players, though, is not the same as strength in depth. A telling sidelight comes from General Electric, one of the US's most successful companies and its biggest by market value. An important part of GE's strategy has been to avoid areas where Japan is strong and to focus on those where the competition is European, such as lighting, power generation and aero engines.

This might symbolise the danger for Europe. It risks being seen as a soft target: no longer sophisticated enough to match the US or Japan, and too lazy and highly paid to match the developing countries. As a half-way house, this is unsustainable. In the long run, European industry must either get smarter, or it will get poorer.

Importance of manufacturing falls across western world...



...as Europe suffers largest job cuts...



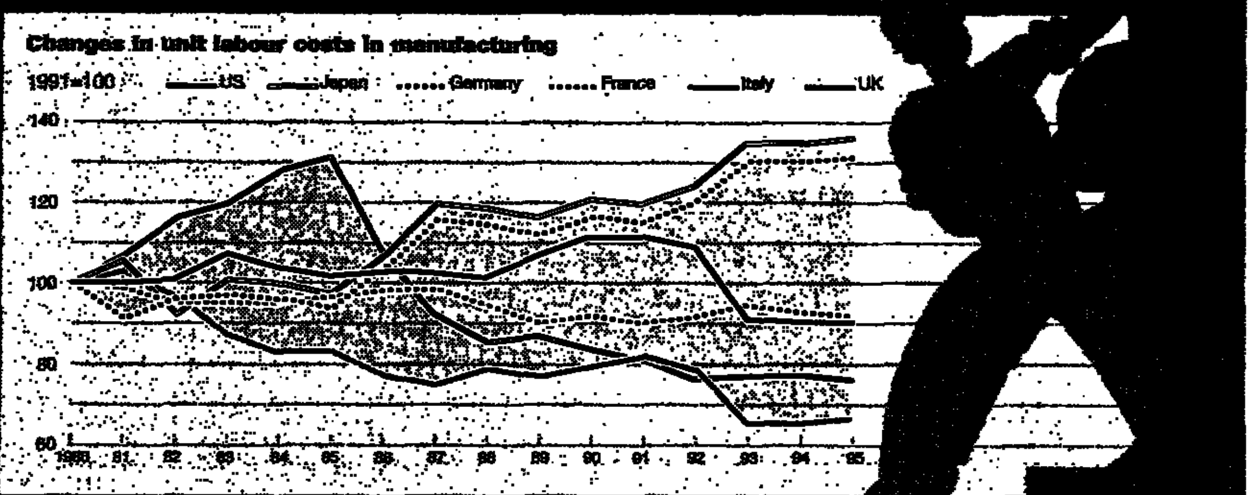
Shares of OECD trade in manufactures

Percentage

	1970 total	High tech	Med tech	Low tech	1990 total	High tech	Med tech	Low tech
US	20.3	31.1	21.7	13.4	17.4	28.3	15.4	13.3
Japan	11.0	13.2	8.5	13.2	15.0	21.1	16.9	7.1
Germany	18.9	17.7	23.1	15.0	20.6	18.2	24.7	17.9
France	8.3	7.7	8.5	10.7	10.3	8.7	10.0	12.1
Italy	7.3	5.5	7.1	8.5	8.6	5.1	7.7	12.8
UK	10.4	10.5	11.9	8.9	8.9	10.2	8.5	8.5

Percentage of total manufactured exports of top 13 OECD countries

...and US reduces labour costs fastest



Source: OECD

Flashes of opportunity amid the gloom

Industry's performance

By Tony Jackson

Europe's industrial performance varies across sectors, as illustrated below. The picture is not one of unrelieved gloom. There are plenty of opportunities as well as problems.

Cars: The EU is the world's largest car market and the world's largest car producer. However, close to 30 per cent of European production is foreign-owned, with the figure likely to rise to about a third as new Japanese plants reach full production in the next few years. The European industry is also more parochial than its US or Japanese rivals, though it is striving to catch up. BMW and Mercedes are building their first plants in the US. In China, European carmakers have established an early lead.

Europe is still at an early stage of a huge phase of rationalisation and restructuring. There are six true volume car makers left: Volkswagen, Fiat, Renault and Peugeot Citroen, plus Ford and General Motors of the US. Almost all the smaller players have been absorbed. Though Volvo's merger with Renault has fallen through, Rover is about to become part of BMW. Among the big players, at least one further merger looks likely within the next few years.

The industry is likely to emerge from this phase more competitive than before. It also has the geographical advantage of a potentially enormous market on its doorstep, in the form of eastern Europe and the former Soviet Union.

Drugs: The pharmaceutical industry is a European success story. The EU is the world's biggest producer of prescription drugs, and many of the world's best-selling drugs have been invented and developed in Europe over the years. Between 1987 and 1991, EU production grew by 36 per cent in real terms, compared with 16 per cent for the US. This is also an industry in which Japan has yet to make its mark.

The chief threat to Europe lies in the rise of biotechnology, which may supplant much of the traditional chemistry-based drug industry. The US has a substantial lead here, based largely on its entrepreneurial tradition and huge pool of venture capital.

Electronics/telecommunications: The picture is mixed. In telecommunications, Europe has a number of internationally successful equipment suppliers, such as Siemens, Alcatel, Ericsson and Nokia. It has also struck lucky in mobile phones, where the European GSM standard is now becoming a global standard outside the US. This puts US suppliers at a significant disadvantage in an important growth market.

In electronics, however, Europe is sandwiched between Japan's dominance in consumer electronics and America's overwhelming strength in high-tech hardware and software. Unlike the US, Europe has chosen to confront Japan in consumer electronics, the result being heavy losses for companies such as Thomson and Philips. Across the high-tech field of computer hardware, software, semiconductors and micro-processors, Europe as a whole is weak and risks getting weaker.

Aerospace/defence: Perhaps the EU's biggest industrial success in recent years has been the establishment of the Airbus consortium as the world's only real rival to Boeing in civil aircraft manufacture. The financial cost has been heavy, though, and Airbus's eventual success as an independent entity cannot be taken for granted.

In the defence industry, European contractors traditionally enjoyed preferential treatment from their own governments, while the US government was reluctant to allow sophisticated weaponry into foreign hands. With the collapse of the Soviet Union, the picture has changed dramatically. Since 1989, US defence exports have risen from $6bn a year to $15bn, while Europe's have halved to around $5bn. It is not clear that this process is over. On the other hand, the European industry also lags the US badly in terms of rationalisation. As in cars, this should make for greater efficiency, provided it is undertaken in time.

Chemicals: The EU is still by a narrow margin the world's biggest producer of basic chemicals, just ahead of the US and well ahead of Japan. The threat comes in petrochemicals, more than half the sector.

Though Europe invented many of the basic plastics, it has some fundamental handicaps. The US and Middle East have cheaper natural gas as raw material. The Far East is the main growth market, and Far Eastern producers are raising capacity accordingly. Several of Europe's leading producers see the long-term outlook as bleak.

Labour price falls offshore

CASE STUDY: Fila

A north Italian clothing and footwear company has closed its factory and shifted production to Asia: "The only chance of survival."

David Marsh reports

Fila, the fast-growing sportswear and shoe maker based in the north Italian textile town of Biella, has found one way of coping with a fundamental problem of European manufacturing. It is trying not to have any.

The company started business in 1926 as a family-owned knitwear manufacturer. After widespread changes over the past two decades, Fila's production is now carried out by about 50 independent low-cost subcontractors around the world. Roughly 85 per cent of output came from the Far East last year, with just under 10 per cent of its goods made in Italy.

Fila has switched to Asian production as part of "globalisation of sales, sourcing and creativity", according to Mr Enrico Frachey, the company's 59-year-old managing director. This has also involved an intense attack on the booming US market, which accounted for 68 per cent of sales last year.

Sitting in his office in front of a large wall map of China – "more and more important for our future" – Mr Frachey says: "We are a kind of textbook. The only chance for US and European companies to survive in this field is to do what we did."

Mr Frachey worked for Fila during the 1970s, presiding over its diversification into sportswear, helped by promotional deals with stars like Bjorn Borg, the Swedish tennis champion. He left in early 1980. After rejoining in 1987, he pushed Fila's US expansion and built up subcontracting.

Fila's basketball shoes, tennis gear and ski outfits compete for retail supremacy around the world with leading brands such as Reebok, Nike and Adidas. Now 70 per cent owned by the holding company Gemina, Fila closed its last production line in Biella in 1983. The old factory floor has been refurbished into a lavish auditorium for displaying its latest outfits to the sportswear trade.

Staff in Italy, which totalled 2,500 in the 1950s and 1,800 in the 1960s, has now declined to 270, with a further 670 employed abroad – mainly in quality control, design, distribution and marketing. Turnover has rocketed 10-fold since the late 1980s.

Overall sales increased last year to L741bn ($441m) from L515bn in 1992. Fila hopes to achieve turnover of L1,000bn by 1995.

Of its shoe production, roughly 40 per cent is made in Indonesia, and 30 per cent in China. In sportswear, the two countries each account for 20 to 25 per cent.

Mr Frachey says making up a track suit in an Indonesian or Chinese garment factory costs L5,000, against L35,000 to L40,000 in Italy. Even South Korea is now a relatively high-cost site, with production about 40 per cent more expensive than in China.

Saving manufacturing costs releases funds for the company's huge budget for promotion and marketing – last year, L60bn or 8 per cent of sales.

With 70 per cent of its costs and revenues in dollars, Fila has become progressively less Italian. Reflecting US dominance in leisure wear, even Italian design is now becoming less important. "Fila is losing the Italian look. There is more feeling for American brands," says Mr Frachey.

He does not exclude the possibility that, one day, the company may sever its Italian ties altogether. "The European market is a small project. We are beyond this. Our market is the world."

Three leading European manufacturers employ very different strategies against their international competitors

Gains via R&D, market share and cost-cuts

Roche

By Tony Jackson

The Swiss pharmaceutical giant Roche is an example of European industry at its most effective. Last year, the steady rise in its share price made it the most highly valued drug company in the world, overhauling Merck of the US.

Roche's success is based on the performance of European workers at home and European managers abroad. Swiss-based researchers have discovered a wealth of commercially valuable drugs. Roche has also proved shrewd in acquiring assets overseas, notably Californian biotechnology company Genentech.

The achievement owes much to the immense and, no doubt, excessive profitability of the international drug industry, which governments around the world are now seeking to control. The results for Roche have been extraordinary.

Its spending on R&D has been heavy even by the standards of its industry: in 1992, for instance, its pharmaceuticals research bill came to SFr1.6bn ($1.1bn), or 24 per cent of its pharmaceutical turnover.

It was also able to plank down $2bn in 1990 for 60 per cent of Genentech, a company which had only $500m in sales and very little profit. Despite all that, Roche has cash and securities currently estimated at SFr20bn ($13.5bn).

In the field of conventional drugs, it is worth recalling that Roche's success represents a fairly recent comeback. It had a previous glory phase in the 1960s, based largely on the tranquilliser Valium.

As Valium went off patent, Roche spent heavily on the search for replacement drugs. For a while, it seemed the money was being wasted. The real strength of the resulting research pipeline has become apparent only recently.

Roche has also built a formidable position in hospital drugs, claiming to sell more drugs to US hospitals than any other company in the world.

At the same time, the purchase of Genentech was a particularly bold strategic move, since biotechnology is a field in which the US has a clear lead over Europe. Roche has thus hedged its bets against a possible shortfall in European technology.

MICHELIN

By John Ridding

Michelin of France, the world's biggest tyre maker, made it the hard way. In 1960 it was 10th biggest, by 1970 it was number six and by the end of the 1980s it was number one. Michelin's approach had a Japanese ring: aggressive international expansion and concentration on market share.

Greenfield investments, followed by the acquisition of Uniroyal Goodrich in 1990, have resulted in a 20 per cent share of the world market and a clear lead over Goodyear of the US and Bridgestone of Japan. At the same time, Michelin has invested heavily in quality and in R&D, being the first company to develop and market the radial tyre.

Michelin's rise has been far from smooth. The Uniroyal acquisition was completed as the US market collapsed. Last year, the European market did likewise. For several years, the group suffered large losses. But most industry observers believe the worst is over.

Michelin's ability to pursue its aggressive and sometimes risky strategy partly reflects its ownership. As a family-controlled group in the continental European mould, it can afford to be less concerned with quarterly earnings and more with dominance in markets and technologies. The benefits are evident in the initially costly but ultimately lucrative development of radial tyres and in the strengths of geographical diversity.

But now a different message is emanating from Michelin's headquarters at Clermont-Ferrand. With its market position established and little remaining scope for growth through acquisitions or new capacity, the company is shifting emphasis towards increased efficiency and higher margins.

This is to be achieved partly through new, higher value-added products, such as the green tyre, which reduces fuel consumption.

The company has also embarked on job cuts which have seen staff numbers fall from 140,000 at the end of 1991 to 125,000. Further reductions are expected from the introduction of its C3m automated and flexible production process.

PHILIPS

By Tony Jackson

Philips, the Dutch electronics group, is a classic case of a once-great European company caught between the Japanese hammer and the American anvil. On the one hand, its battles with Japan in consumer electronics have led to huge losses. On the other, it has been obliged to abandon high-tech areas in computers and semiconductors.

Philips's basic problem can be illustrated by comparison with one of its chief competitors, the Japanese electronics company Matsushita. A decade ago, Matsushita's sales in dollar terms were smaller than Philips's. They are now twice as large. The growth of the Japanese company in the 1980s owed much to the strength of its domestic market, from which Philips was largely excluded by a combination of protectionism and the peculiarities of the Japanese retail system.

But the Japanese advantage, whether fair or foul, was a fact of life. Philips' determination to tackle the competition head-on has been impressive, but also smacks of arrogance and inflexibility. Despite the company's recent enormous losses, the struggle continues. In the field of consumer audio, Philips is confronting Sony's mini-compact disc with its new digital compact cassette. It has also just opened a factory in Holland to make flat screen panels, a vitally important technology in which even the Americans have conceded Japan a virtual monopoly.

Philips could be past the worst. Its cost-cutting and rationalisation in the past couple of years have been on a scale to suggest that even the notorious Philips bureaucracy has become genuinely alarmed. And the Japanese electronics industry is facing problems which may prove structural rather than cyclical.

Certainly, the investment community is inclined to optimism. In the past year, Philips's shares have outperformed the Dutch market by two thirds.

However, the company has seen false dawns before. For the pessimists, it may be more relevant to reflect that the shares have halved relative to the Dutch market in the past decade.

TECHNOLOGY

Paul Abrahams reports on the latest advances in prostate therapy, in a series on drug discoveries

Keeping the knife at bay

Twenty years ago the American journal Science published an article about 24 inhabitants of a village in the Dominican Republic. The article led Merck, the world's biggest drugs group, to develop a class of drug likely to save billions of dollars in healthcare costs.

The article looked at the cases of 24 individuals who until puberty were believed to be female. At birth they appeared to have a vaginal pouch and a clitoral-like phallus. However, at about 12 the voices of these pseudo-hermaphrodites deepened, their muscles developed mass and their phallus enlarged to become a functional penis.

The authors proposed that the condition was the result of a genetically-caused deficiency of an enzyme called 5-alpha reductase. This enzyme transforms testosterone, the male hormone, into another hormone, DHT, which is involved in prostate growth.

Researchers at Merck quickly spotted the medical opportunities of controlling levels of 5-alpha reductase. If the enzyme was implicated in prostate growth, then it should be possible to block either the production of the chemical or its action.

According to Brian Leaker, clinical project manager at Pfizer Research, a quarter of all men in Europe and the US have some clinical signs of benign prostatic hyperplasia (BHP) – a condition involving an increase in the size and number of prostate cells – by the age of 50. That means that 17.2m

A quarter of all men in Europe and the US have some clinical signs of BHP by the age of 50

men in Europe currently display some symptoms. The condition becomes more common with ageing. Those men in developed nations who survive to 80 have a 50 per cent chance of being put either on drug therapy or the operating table.

BPH is caused by the physical non-cancerous growth of the prostate from approximately the size of a walnut to the size of a lemon, says Leaker. The expansion of the prostate constricts the urethra through which urine flows out of the bladder. The symptoms of BPH include increased frequency of urination, hesitancy, leakage and, in some cases, discomfort and pain.

Why the prostate expands with age remains unclear. "It appears to be a natural consequence of becoming older – as inevitable as night following day," says Mike Wyllie, director of discovery biology at Pfizer Research. "We know that DHT is a stimulus to growth. But what is happening at the molecular level is a 'black box'."

The prostate consists of three distinct anatomical elements. These are a capsule within which the prostate lies; the true prostate material; and the muscle tissue around the prostate.

BPH appears to be caused partly by an increase in the number and size of the cells in the true prostate, and by an increase in the size of the capsule and muscle tissue around the prostate.

BPH is expensive. Surgery, which involves putting a telescoped strimmer device down the penis, is the most common therapy. For men over 50, the risk of requiring such surgery is between 25 per cent and 30 per cent. Annually, there are more than 400,000 such operations in the US, costing a total of $5bn (£3.4bn).

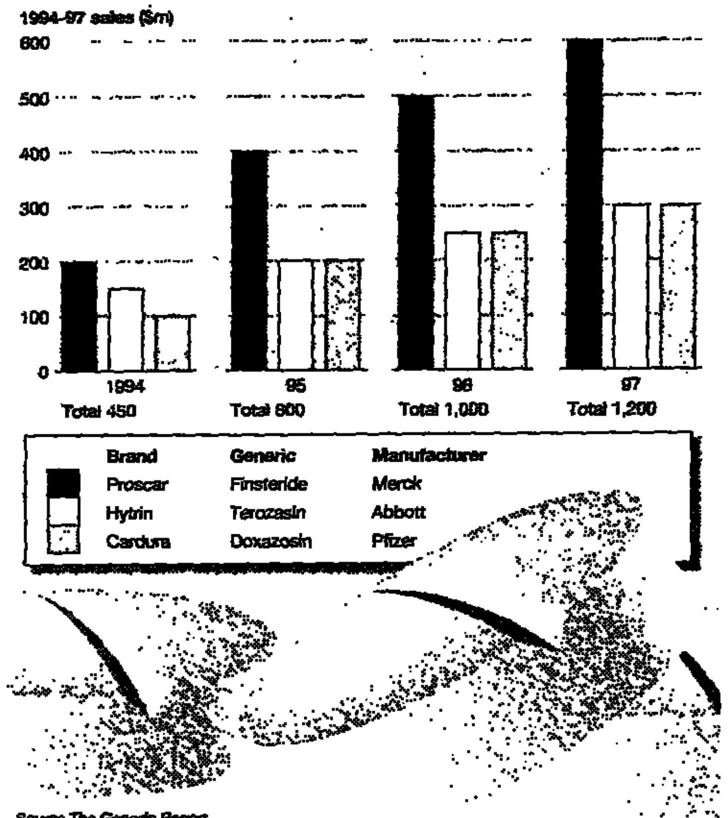
Surgery can lead to side-effects such as impotence, bleeding and incontinence. The operation also sometimes needs to be repeated within a few years since the prostate continues to grow. A new form of surgery using a balloon catheter which is inserted and then expanded has recently been introduced.

The only previous medicinal therapies were herbal. "In some patients there is a measurable improvement in urine flow with herbal remedies. The problem is that the condition waxes and wanes, dependent on stress, cold, and other therapies. It's difficult to be sure whether the herbal treatment is actually responsible for any improvement," explains Wyllie.

After the Science article, Merck's researchers set to work developing a compound that would act specifically on 5-alpha reductase. They discovered Proscar, which in a single dose can reduce the levels of DHT in the blood by an average of 65 per cent.

Merck, and many financial analysts, had high expectations for Proscar. The company claims the drug, which costs about $530 a year per patient, is cost-effective. That compares with surgery at $8,000 for each procedure. Nevertheless, sales growth has been slow.

Projected US market for prostate drugs



Source The Genesis Report

Many urologists have not been convinced about the drug's effectiveness. First, it takes between three and six months for symptoms to improve; second, the drug appears to work in only a minority of patients.

"The problem may be that there are two forms of 5-alpha reductase," says Kurt Hogaboom, associate director of urology and prostate disease at SmithKline Beecham. "Proscar affects type two, but it may be necessary to control type one too."

The clinical trials have also proved difficult to design, given that placebos tend to work well – at least in the short term. Although Proscar reduces levels of DHT, the direct relationship between DHT and prostate size, urinary flow and symptomatic relief is yet to be established.

Merck is frustrated by the slow uptake of what it considers a ground-breaking drug. "This is one of the breakthroughs of the decade," says Roy Vagelos, Merck's chairman and chief executive.

"I would not want to speculate why the urologists have been hostile to Proscar," says Edward Scolnick, president of Merck research laboratories. "The drug changes the disease's natural history and it's safe. It's just not rational not to use it."

The irony is that other companies may benefit as much if not more from Merck's work. Many have experimented to see if their existing compounds might have an effect in BPH. The most successful class have been alpha-blockers, usually prescribed for heart disease.

Alpha-blockers work by preventing the constriction of muscle, explains Akira Shiga, manager in charge of BPH and cardiovascular development at Eisai of Japan. The muscle around the prostate contains unusually large numbers of alpha receptors which are involved in the expansion of the blood vessels. By blocking the receptor site, the drug prevents the cells enlarging and so reduces BPH symptoms.

Alpha-blockers in development or already marketed for BPH include Synthélabo's Xatral; Pfizer's Cardura; Abbott's Hytrin; Yamanouchi's Harnal; Eisai's Detantol; and Recordati's REC 15-2739 which is being co-developed by SmithKline Beecham.

The benefits of alpha-blockers are that they work quickly in relieving symptoms and are effective in about two-thirds of patients. However, they do not alter the underlying condition. In addition, most alpha-blockers were first developed for heart conditions and have a tendency to reduce blood-pressure which leads to side-effects such as dizziness and fatigue.

A race is on to develop alpha-blockers that act specifically on the prostatic alpha sites and therefore have reduced side-effects. Toichi Takenaka, board director in charge of discovery at Yamanouchi of Japan, says rapid advances in molecular biology have allowed scientists to identify alpha 1c, a particular sub-type most prevalent in the prostate.

Merck is not abandoning Proscar. The group is 18 months into a four-year study designed to demonstrate that Proscar changes the disease's natural history.

Meanwhile, SmithKline Beecham is developing its own 5-alpha reductase inhibitor called epristeride. This is being targeted specifically at type two alpha-reductase. Fujisawa also has a 5-alpha reductase inhibitor in development.

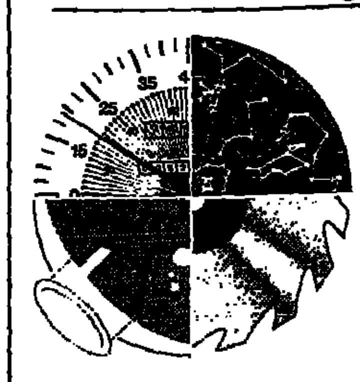
"We still really don't know what is going on," says Leaker. "But our greater understanding of molecular biology is going to lead to an exponential increase in knowledge over the next five years."

The series continues next month with a look at treatments for toxic shock.

■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Wound healing	21 January
Obesity	23 December
Contraceptives	12 November
Anaesthetics	15 October
Diabetes	17 September
Epilepsy	27 August

Worth Watching · Andrew Fisher



Virtual reality heads for the workplace

Virtual reality is coming to the workplace. A project called Virtuosi – led by British Telecommunications – aims to create a computer-generated environment in which people can work with each other, wherever they happen to be.

Virtuosi will allow users to work in groups from home or in different offices and factories around the world. Two pilot services are being developed. One will improve links between BICC's international cable factories; a 3-D view of the total organisation will appear on a desktop computer screen and users will be able to move round this to find people and information. Video windows and computerised data will be integrated to support conference calls.

The other scheme, in Nottinghamshire, will allow textile factories to co-operate in designing and making garments. Remote buyers will be able to see clothes modelled on a "virtual catwalk". Division, a UK company, will provide systems enabling people to work in the virtual environment, with BT and GPT (owned by GEC and Siemens) developing the telecommunications aspects.

BT Laboratories: UK, 0473 647448

'Handy' microscope developed by Sharp

Sharp of Japan has developed what it claims to be the first "handy" microscope to feature a still image display. Users point the microscope at the subject and a clearly magnified image is projected on to a display monitor.

The YH-750M microscope costs around Y400,000 (£2,600). Up to three still images can be stored for display. Sharp says it should be particularly useful for skin and hair diagnoses, surface inspection of precision machinery and parts, dental examination and as a teaching aid.

Sharp Corporation: Japan, 66253007

ICL's new keyboard aims for comfort

An ergonomic keyboard designed to improve computer typing comfort has been introduced by ICL, the UK computer group owned by Japan's Fujitsu. It also reduces static electricity built up by clothing or low humidity.

Costing £65, the ErgoPRO 102 keyboard minimises tension and load on fingers, hands and wrists. Its low front edge and wide range of tilting angles help users find the best typing posture.

The keys are activated by a light typing pressure and are comfortable and quiet for fast typing. An extended spacebar means users need not twist or change wrist position.

Telephone Technology (ICL distributor): UK, 071 454 9360

Fax designed for public use

For those who want to send a fax when at an airport, station, hotel or other public place, the French company Schlumberger has developed a terminal which accepts payment by plastic cards through an anti-vandal reader.

Publifax costs FFr47,000 (£5,460) and has a telephone handset for voice communication. Schlumberger says it is the first to be purpose-designed for public use. The user lays the document on the surface at the bottom of the terminal. The scanner is several inches above, behind protection. This ensures documents cannot be lost and minimises the potential for vandalism.

Schlumberger: France, 47 46 62 47

Light and rugged workstation

Tadpole Technology, based in the UK's Cambridge Science Park, has developed a portable workstation aimed at engineering and commercial users. The light, rugged Sparcbook 3 notebook computer workstations cost £7,650 each (£5,350 with mono screen and no telecoms link).

Tadpole Technology: UK, 0223 566200

PEOPLE

Mann's long stint at Logica comes to an end

David Mann, deputy chairman of Logica, the UK computing services company, is leaving the group he has served for 25 years. His departure will sever one of the few remaining unbroken links with the earliest days of the UK software industry.

Mann joined Logica in 1969 a few weeks after its formation by Len Taylor and Philip Hughes and was a member of the small group, including the late Pat Coen and Steve Feldman, which gave the company its distinctive character.

Managing director and chief executive from 1987 to 1993, he steered Logica through some of its best times and some of the worst. He remembers with a shudder the trauma of 1991 when financial services customers simply stopped spending money.

"There is never a good time to leave a company you have been associated with for so long," he said yesterday, going on to point out that his decision was made simpler by the ease with which new chief executive Martin Read has slid into the role.

Not yet 50, Mann says he has no fixed plans and an open mind about the future: "I would be interested in non-executive directorships; there was never time for that before." He is also keen to spend more time on information technology-related activities including the British Computer Society. He will miss Logica colleagues and customers, he says, but not the daily trek into London from his treebound retreat in Theydon Bois.

Nott ventures into ProShare

Gillian Nott, 48, a former BP executive, is to be the next champion of Britain's small shareholders. On April 1 she takes over from Geoffrey Maddrell as chief executive of ProShare, the body which promotes wider share ownership and is sponsored by the public and private sector.

Nott differs from Maddrell in a number of ways. Maddrell, 57, had been chief executive of a big plc (Tootal, taken over by Coats Viyella in 1991). Nott, by contrast, comes from a venture capital background. She spent 12 years with BP and was director of the oil company's venture capital business until it was sold a year ago.

Since then she has worked as a consultant and has recently completed a study for the Institute of Directors on the provision of enterprise capital in the UK.

She describes herself as a "moderately active" investor and says that after she left BP she wanted to do "something completely different" and preferably "public spirited". She refused to comment on the size of her salary but it is thought to be less than the £100,000 a year which Maddrell was paid by a Sainsbury charitable trust.

It has been known for some time that ProShare was looking for a replacement for Maddrell even though he has only been doing the job since October 1991.

ProShare says he had been hired to get the organisation up and running and now it is time to hand over to someone with fresh ideas. Maddrell has picked up a number of non-executive directorships and a couple of chairmanships and will take over from Sir Peter Thompson as ProShare's non-executive chairman. Sir Peter moves up to president, replacing Sir John Harvey-Jones who is retiring.

de Zoetes still in evidence

The integrated securities houses that grew out of Big Bang in the City of London have swallowed many of the grand old names of British stockbroking; often the scions of the families themselves are no longer about either.

So Barclays de Zoete Wedd, the investment banking arm of Barclays, is rather the exception, as is Simon de Zoete, 52, who has just been promoted to become chairman of BZW's equities division.

Another de Zoete, his 46-year-old younger brother Nick, also works for the firm in a portfolio management role. The two are great-nephews of Johnny Bevan, senior partner at de Zoetes until he died in the 1970s.

Previously chairman of the corporate broking arm de Zoete & Bevan, part of the 1,100-strong equities division, de Zoete succeeds Tim Coghlan who is retiring at the end of March on his 59th birthday. Coghlan, who has spent 34 years in the City, stays on in a consultancy role.

De Zoete will be working with the division's chief executive Jonathan Davie and deputy chief executive John Varley. He will continue with the corporate business he has made his speciality, where his clients include BAT, GEC, Zeneca and ICI.

He steps down as deputy chairman at de Zoete & Bevan, with Nick Brigstocke, currently in that seat, moving up to chairman.

BZW has had a good run recently. Last week it was appointed joint broker with Cazenove to BTR, and has also been appointed lead broker on the planned flotation of 3i. Meanwhile, Simon de Zoete has more urgent matters on his hands; he is leading the Granada team in its takeover battle with LWT.

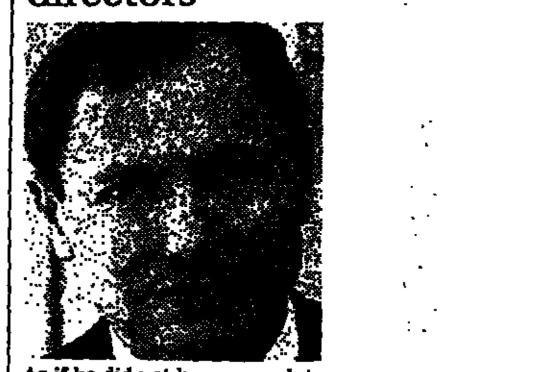
Private Finance panel

Hugh Jenkins, the Prudential's investment supremo, and John Walmsley, the former finance director of Enterprise Oil, have joined Sir Alastair Morton's government-sponsored Private Finance working group set up last year to coax private capital into public sector projects.

Jenkins is the latest recruit to Sir Alastair's 15-strong panel of business leaders and senior civil servants and Walmsley, an old friend of Sir Alastair, is in charge of assembling a full-time executive support staff for the Private Finance Panel, as it is now called.

The members of the executive, which is working out of Enterprise Oil's Trafalgar Square headquarters, have been mainly drawn from city firms and are as follows: Jason Fox (Herbert Smith), Dominic Hollamby (Arthur Andersen), Douglas Hogg (Eurotunnel), Nigel Middleton (Price Waterhouse), Luke Talbutt (Freshfields) and Barry Williams (Treasury). (See Observer)

Non-executive directors



As if he did not have enough to do, Jean Peyrelevade (above), who is currently working on a plan to recapitalise Credit Lyonnais, the troubled French bank of which he is chairman, is becoming a non-executive director of Barings, the UK merchant bank.

Peyrelevade, aged 54, who was chairman of the Union des Assurances de Paris before being brought in to repair Credit Lyonnais last year, joins Nicholas Barber, chief executive of the Ocean Group, who is also appointed a non-executive.

Over the past year Barings has added directors with international experience to its board to help reinforce its global activities. In September, it took on Sir William Ryrie, former chief executive of the International Finance Corporation.

■ Frank Davies, chairman of the Health and Safety Commission and retired chief executive of Rockware Group, at BARDON GROUP where he will become chairman when Sir Peter Parker retires in May.

■ Stewart Douglas-Mann, md of Guinness Mahon's corporate finance department and former head of the London Stock Exchange primary markets division, and John Powell, former md of Prudential's general insurance division, at SHARELINK INVESTMENT SERVICES; William Eccles is resigning.

■ Frank Argent, former director-general of NAWDC and a former finance director of English Heritage, as chairman of LINCWASTE.

■ Richard Lee at SYCAMORE HOLDINGS.

■ Bill Morrison, recently retired deputy chairman of KPMG Peat Marwick, as chairman at BRITISH LINEN BANK when Teddy Boyd retires in April.

Ballet

Away from the horrors of ice-dance

These are not times of plenty for dance-lovers in London. Ballet at Covent Garden is, shockingly, in abeyance for a month; Sadler's Wells offers nothing. Were it not for the prospect of Twyla Tharp's superb troupe at Riverside Studios next week, we might suppose that Terpsichore had turned her face against us. That television has been revealing the full horrors of "ice-dancing" from Lillehammer only makes matters worse: we saw prodigious technical skill dedicated to the triumph of the banal, the crass and the bloody-awful. St Vitus is their patron; pop-trash their tune; deep-frozen Kama Sutra their dish. Torvill and Dean merited several gold medals because their movements actually responded to their music.

Meantime, up in Birmingham, that city's orchestral survey of 20th century music – Towards the Millennium – has turned towards dance in its consideration of the 1930s. Birmingham Royal Ballet has staged a programme of three significant works of the period: *Serenade*, *Job*, *The Green Table*. Each makes a point about the music-theatre of the age, though, save for *Job*, not a musical one. *Serenade* is Balanchine's declaration of intent about America and the classic ballet. It was his first work made for students after he arrived in the US in 1933. It showed "innocent" bodies how classicism should move from studio to stage. It was also markedly Russian in responding to Tchaikovsky, greeting a New World with a nostalgic glance backwards, to a dance-system that had to be reinvented for a new land.

The result remains a masterpiece, in its seeming simplicity, in its stunning craft and in its absolute physical rightness. Even after 40 years looking at it, I marvel at how patterns, incidents, spring from the music, live in it, show Tchaikovsky to us in the most loving and generous way.

The Birmingham dancers are, for the most part, willing servants of the choreography. They need to yield more to its impulses – at Tuesday's first performance they looked too much on their best and most reservedly English behaviour – but it is a piece which will do them a power of good. The last movement, where Balanchine colours the dance with hints of narrative about the grief of love lost, was well done. Feelings must not be allowed to get any more explicit, though, and the girls' unbound hair does not require unbound emotions. The waltz needed a more secure male présence; Miyako Yoshida was an unfailing delight, clear, buoyant, at every moment, and Andrea Tredinnick and Monica Zamora were pleasing as the two other leading women.

I think a case can be made for seeing *Job* as Dame Ninette de Valois' most adventurous choreography. Other works – *Rake's Progress*; *Checkmate*; the merry *Prospect Before Us*, which ought to be revived – testify to her dramatic assurance and sense of character in movement. *Job* tells of her sense of architecture, of grand control of means, a bold theatrical vision, rare in its time, and rare today. It is important that this ballet has been so well revived.

I can see no value though, other than as a museum exhibit, in Kurt Jooss's *The Green Table*. I was bored by it nearly 50 years ago when I saw it with most of the original Jooss dancers. It represents a not very distinguished strand in German dance, and an even less distinguished strand of social commentary.

Clement Crisp

An acquired taste for the pyramids

Robert Venturi put jokey little coloured lotus-columns outside the National Gallery extension and IM Pei's glass pyramid now squats in the forecourt of the Louvre. But although post-modern architects now and then use ancient Egypt as a source for references, repro-Pharaonic seems to have had its day. It barely survives, except in the tourist gift-shops of Egypt which are still crammed with pyramid paper-weights and busts of Tutenkhamun.

Egyptomania, the Louvre's clever, complicated, but indigestible new exhibition, opens a chapter in the history of taste. It shows the many forms for which over two centuries, from 1730 to 1930, western art and architecture gleefully and unself-consciously adapted artistic motifs from the land of the Pharaohs.

Although repro-Ramessian is nowadays rejected as kitsch, Egyptian style was once extremely influential. It was more exotic than Greco-Roman, more accessible than Etruscan, and highly prestigious. Egyptian style was enormously versatile, associated with eternity, manliness, sexiness, exoticism, non-Christian piety, and patriotism.

As an architectural style, it was also relatively simple and cheap in comparison with classicism. So it was used extensively, for garden design, prisons, cemeteries, in bourgeois villas, Russian palaces, and the staterooms of Mediterranean cruisers.

The exhibition will travel to Canada and Vienna, although not all 300 exhibits appear at each of the venues. Yet there is something undeniably special about seeing it in Paris. At the Louvre one is just a step away from the magnificent obelisk looted from the temple of Karnak at Thebes. Close by are squares where grotesque ceramonies were staged in which huge statues of Isis, the Goddess Nature, expressed jets of wine from her breasts into the cups of thirsty revolutionaries. France even has the best claim to be called the cradle of Egyptology, born on September 27, 1822 when Champollion announced that he had discovered how to read hieroglyphics.

How will the exhibition look elsewhere? At the Louvre, the organisers have gone for style over comfort. Tiny video-screens displayed at the cases show pyramids and obelisks in gardens and play extracts from Mozart's *Magic Flute*. The overall design is a pitch-black labyrinth as if it was intended to evoke some ancient ritual. I found it claustrophobic and tiring.

On the other hand, it made possible a great bit of theatre. Dotted through the darkness are white rooms containing the "real thing", famous pieces from the Louvre's Egyptian galleries. Some pieces are Egyptian and some are Egyptianising Roman sculptures, chosen not just because of their intrinsic merits but because they inspired later artists.

The most remarkable of these antique pieces is the exceptionally beautiful pink marble statue from Munich. It is one of the famous series which Emperor Hadrian ordered to be made to immortalise his lover, Antinous, drowned in the Nile. Because eclectic Rome was so enamoured of her Egyptian colony,

Patricia Morison reviews 'Egyptomania' at the Louvre

it seemed quite natural that Hadrian should order the gorgeous youth to be represented as the god Osiris. From the mid-16th century, this sculpture could be seen by visitors to the Villa Albani at Rome, setting a standard for Egyptian art (as Antinous was thought to be).

The variety and quality of exhibits is overwhelming, with paintings, furniture, architectural drawings, ceramics, sculpture, jewellery, and fashion accessories. Theatre design gets a corridor to itself. There are important set and costume designs for the *Magic Flute*, for Rossini's *Moses*, and for Verdi's *Aida*, although, as we are reminded, it was the Egyptologist Mariette Bey who deserves so much of the credit.

Apart from occasional treasures like Schinkel's *Magic Flute* designs and Boullée's project for a warrior's grave, there is almost nothing in the show to which I would give house-room. Not for me the model obelisks and sphinxes for the mantelpiece, the tremendously elaborate clocks made to look like Egyptian temples or Nubian slave-girls.

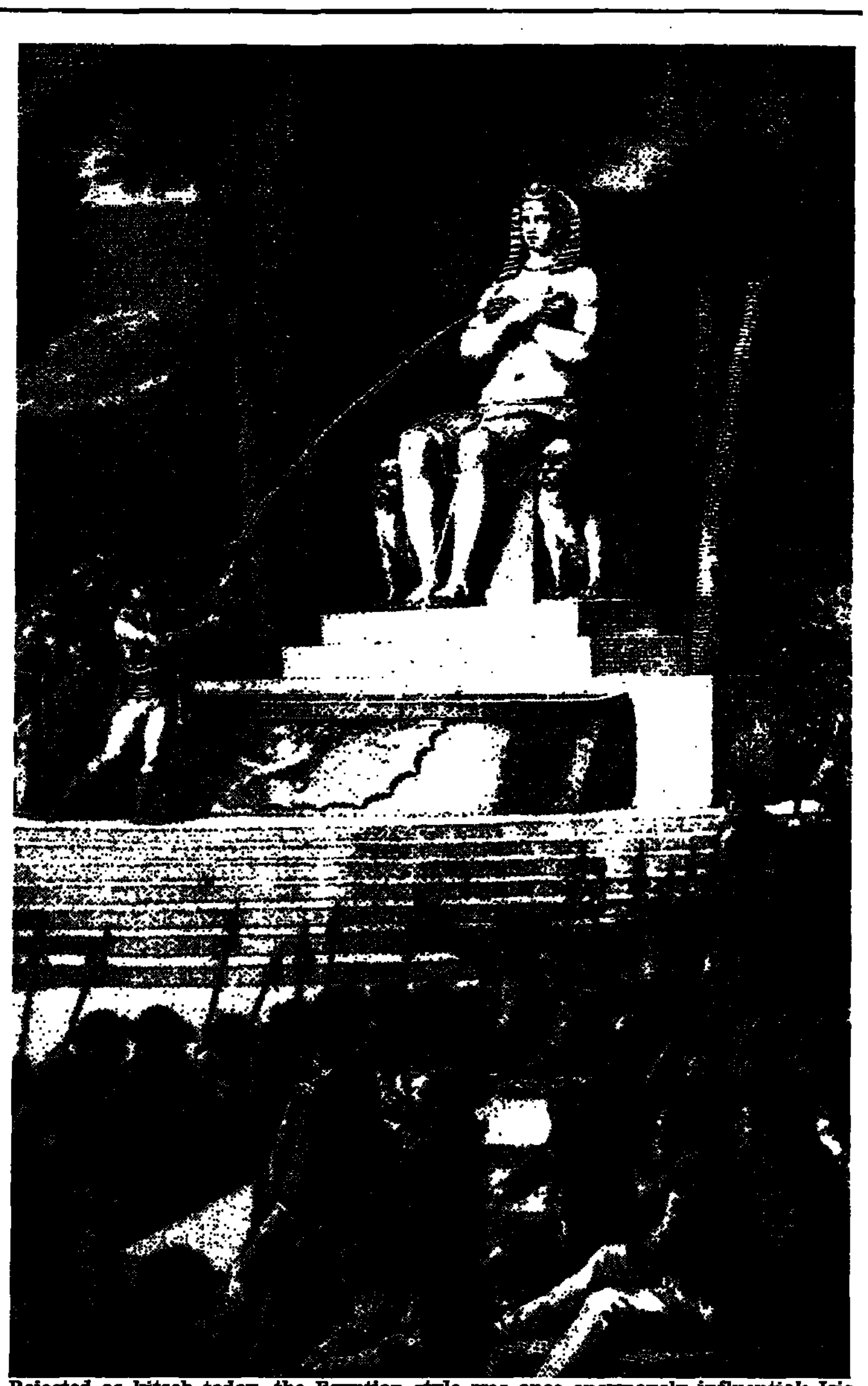
Anyone less insensitive to pseudo-Egyptian furniture will discover rare and fabulous pieces. Among the most remarkable are two 18th-century bookcases, one for a French civic library and one commissioned by an Austrian abbot. Painstaking copies of Egyptian temple style, they were made expressly to hold the 25 volumes of the celebrated *Description de l'Egypte*. Remarkable too, is a late 19th-century grand piano made with two statues of pharaonic noblemen to each leg.

The selection of paintings is quite as remarkable, including many comically ghastly 19th-century specimens many of which look still worse for being badly lit and in such solidly Egyptian company. They make the point well, however, that successful painters needed to read up Egyptology if they were to tackle popular subjects like Moses in the Bullrushes, or the Death of Cleopatra.

John Martin's "Seventh Plague of Egypt" and David Roberts's "Departure of the Israelites" vie to express the sense of grandeur of Egypt. Many of the most successful painters and paintings of the age were Egyptian-minded; Gustave Moreau, Hans Makart, and Elihu Vedder's "Man Questioning the Sphinx" of 1863. Sir Edward Poynter's epic vision of forced labour, "Israel in Egypt", is pure Hollywood and too exhausting to look at for more than a minute at a time. Images of Cleopatra have a separate section in which the supreme horror is Cabanel's Salon painting of Cleopatra trying out poisons on her slaves. *Fascinating*, too, to see the notorious sado-erotic shocker of 1865, Federico Faruffini's "Sacrifice of an Egyptian Virgin to the Nile".

Luc-Olivier Merson's "Rest on the Flight into Egypt" is another impressively awful example of a painter taking Egypt seriously. In fact it is a copy made in 1880, the year after the original had enraptured visitors to the Paris Salon. On a moonlit night, Joseph lies flat out on the sands and the Virgin Mary sleeps between the paws of the Sphinx. The unearthly radiance emanating from the Christ Child in her arms inspired the novelist J.K. Huysmans to dub the picture, "Virgin and Sphinx, Jesus and mayonnaise."

Egyptomania continues at the Louvre until April 18, sponsored by Fondation Electricité de France. It then travels to Ottawa and Vienna.



Rejected as kitsch today, the Egyptian style was once enormously influential: Isis expressing jets of wine from her breasts into the cups of thirsty revolutionaries

Theatre/Paul Driver

Beckett plays with master and slave

To see Beckett's first two plays in quick succession, as one currently can in London, is an engrossing and startling experience. One is startled, anew, by the dramatic brilliance and depth of both *Waiting for Godot* (1949) and *Endgame* (1956), but startled too by realising that the former, for all its power as myth (the title has practically entered the language) and language, is in some sense a rough draft for the latter.

Endgame, which the Fair Play Theatre Company is staging at Battersea Arts Centre's Studio 1 (until March 13, then for five days at the Sheffield Crucible) – astonishingly, it is the play's first London appearance in a decade – repeats the themes and stratagems of *Godot*, but in a finer tone. The master and slave relationship of Pozzo and Lucky, which arguably lends the main dramatic and poetic interest to *Godot*, but only, as it were, in the manner of a star turn, is enlarged to occupy the entire dramatic space of *Endgame*.

Pozzo, inexplicably blinded by the second half of *Godot*, is continued as the sightless, anguished, orotund egomaniac, Hamm; and Lucky – mute in *Godot*, save for his famous single outburst of "thinking" – has become the more talkative, though grimly laconic, Clov (who does, at one point, pace about "having an idea"). The Godot-expecting tramps Vladimir and Estragon are downgraded in *Endgame* to Hamm's legless, dustbinned "accursed progenitors", Nagg and Nell, who too have spent happy days in the French countryside, or think they have. The small boy appearing like a perplexed angel at the end of each *Godot* act, does not need to take corporeal form at the end of *Endgame*: he is merely, movingly, postulated.

In each play there are knockabout routines (with trousers) and gags at the expense of the audience and the theatrical illusion: but *Endgame's* long-ringing alarm clock has a power beyond the vaudevillian. Each play is consumed with passionate meditation on time and human futility – but in *Endgame* the yield of tragic poetry seems to me even greater than in *Godot*, just as its construction is all the more lethally taut (a single act of under 90 minutes).

Even though its title has practically entered the English language, 'Waiting for Godot' is really a rough draft for his later work 'Endgame'

But perhaps I only feel this way because *Endgame* received a performance so roundly superior to that of *Godot* as staged by Efendi Productions at the Hammersmith Lyric Studio. The idea behind director Lisa Forrell's interpretation is that Godot is being awaited somewhere in the Levant; so we get the sounds of sultry pipes, surging sea and desert wind; we get hieroglyphics on the low stone wall and a big Mediterranean moon; but we also get incongruous reminiscences of the Pyrenees and Macon Country.

If we get 50 per cent of Beckett's text, I should be surprised. Nadim Sawalha's Vladimir makes up more than he ever says right, and when it is right it is intolerably prosaic. His speech near the end ("Astride of a grave and a difficult birth") – which, like so many passages in these two prose plays, achieves the intensity of great verse – has as much moment as it would if he were counting out money.

Kevork Malikyan's Estragon was better; Bruce Purchase's big and big-bellied Pozzo was enjoyable for its impossibly elongated posh vowels; and Ben Daniels's Lucky was a convincing study in frenzy, sweat, and mucus. Even in his chattering tirade, writhing and spluttering took firm precedence over the words themselves: it was not a G & S patter-song approach; and altogether the production expressed a fear of the verbal.

But Beckett plays, owing their coherence ultimately to poetry, can only properly work through verbal precision and a careful rhythm of pauses. "Rather difficult and elliptic," Beckett wrote to Alan Schneider of *Endgame*, "mostly depending on the power of the text to claw."

Drama and even pure gesture come alive once that has been well understood, as it so gratifyingly has been at Battersea. Scarcely a comma is out of place in Alasdair Middleton's wise and stirring production, with Brian Matthew and his wife Pamela Wickington a sharply observed Nagg and Nell; Peter Bourke a stooped, shuffling Clov, clad in woollen vest and ineffectual braces, intoned with a London taxi-driver's weary reasonableness that makes the tragicomedy all the more surprising and potent; and above all, John Quentin's magnificent, unforgettable, hardly to be bettered Hamm.

He is Shelley's "old, mad, blind, despised, and dying king", enthroned on his armchair in dressing gown, toque, thick red socks and goggles with blooded handkerchief over his face ("Old stancher! You remain!"): thus *in situ* at the start and even after the final applause. His fleet changes of facial expression, perfect vocal pacing and hammy, slightly Gielgud-flavoured vowels produced an effect by turns hilarious, starkly poetic, and heartrending. His intermittent howls smacked of King Lear – to whose tragedy *Endgame* is a worthy pendant.

INTERNATIONAL

ARTS GUIDE

Modernists in Vienna

Kokoschka, Chagall and Picasso are the subject of separate retrospectives in Vienna next month, and are also represented in a show devoted to 20th century masterworks from the Guggenheim Museum in New York.

The Kokoschka exhibition can be seen at the Albertina from March 2 to May 23. It comprises 200 of the Viennese Expressionist's early works, primarily drawings and watercolours - including studies for the legendary Wiener Werkstätte, the famous portraits of Karl Kraus and the fans for Alma Mahler, Kokoschka's muse (Augustinerstrasse 1. Daily).

The Guggenheim show runs at the Kunstforum from March 4 till June 5. It offers a representative selection of classic Modernism, with 70 major paintings and sculptures by Picasso, Kandinsky, Klee, Matisse and Modigliani among others (Freyung 8. Daily).

***The Chagall exhibit can be seen* at the Jewish Museum of the City of Vienna from March 11 to June 12. It comprises 50 oil paintings, watercolours and drawings from Chagall's Russian years (1908-20), most of which have been seldom seen in the West. Among the main attractions are several larger-than-life paintings, and imaginatively coloured works capturing the village atmosphere of the artist's White Russian home (Dorotheergasse 11. Closed Sat).**

The Museum of the 20th Century focuses on Picasso. There will be 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection, offering an overview of 70 creative years (Schweizergarten. Closed Mon).

■ EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dawn of the Golden Age: 350 works offering a magnificent survey of Northern Netherlandish Art around 1600. Ends March 6. Dutch Figure Drawings 1700-1850: a survey of a popular genre in Dutch art of the 18th and 19th centuries. Ends May 1. Closed Mon

Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by one of the most important 19th century monumental artists, whose murals grace many public buildings in France and who became a major influence on the Post-Impressionists. Ends May 29. Daily

Museum Het Rembrandthuis The Netherlands from Life: 90 prints of landscape and rural life by Ruisscher, Rembrandt, Van de Velde and others. Ends March 6. Daily

BERLIN

Haus der Kulturen der Welt The Gardens of Islam: paintings, jewellery, textiles and carpets from Indonesia, the Middle East and Africa, depicting the garden as an otherworldly paradise. Ends April 4. Closed Mon

Brücke Museum Fritz Bleyl (1886-1976): more than 100 drawings, watercolours and prints by one of the founders of the Brücke. Ends May 16. Ernst Ludwig Kirchner: street scenes 1913-15, the high point of Kirchner's expressionism. Ends May 16. Closed Tues

BONN

Kunst- und Ausstellungshalle Bunuel, Eye of the Century: a comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his films and Surrealist art. Ends April 24. Closed Mon

BRUSSELS

Palais des Beaux-Arts The Closed Garden of the Soul: works of art by women belonging to religious communities in the Low Countries from the 13th century onwards. Ends May 22. Closed Mon

COPENHAGEN

Statens Museum for Kunst Fra Bartolommeo: 100 drawings by the Florentine master, including sketches for altar paintings. Ends March 6. Richard Mortensen (b1910): retrospective of the Danish abstract artist. Ends April 4. Closed Mon

DUSSELDORF

Kunstsammlung Nordrhein-Westfalen Richard Long (b1945): an installation by the British sculptor, using Rhineland materials. Ends April 24. Closed Mon

HEILBRONN

Städtische Museen Catalonian Sculpture of the 20th Century: 80 sculptures by 18 artists, including Miro, Picasso, Dali and Tapies. Ends April 10. Closed Mon

LONDON

Tate Gallery Picasso: 200 sculptures, paintings, drawings and ceramics, focusing on the relationship between sculpture and painting. Ends May 8. Daily

National Gallery Claude: The Poetic Landscape. Ends April 10. Daily

Whitechapel Art Gallery Medardo Rosso (1858-1928): the first major retrospective in Britain of the Italian impressionist sculptor. Ends April 24. Closed Mon

Victoria and Albert Museum Fabergé: 350 treasures created in imperial St Petersburg. Ends April 10. Daily

Royal Academy of Arts Art of the Ancient World: 300 masterpieces from the George Ortiz collection. Ends April 6. The Unknown Modigliani. Ends April 4. Daily

British Museum The Study of Italian Drawings: an affectionate tribute to the late Philip Pouncey. Ends April 24. Daily

National Portrait Gallery Holbein and the Court of Henry VIII. Ends April 17. Daily

MADRID

Fundacion Juan March Goya: the first opportunity in Spain to see the entire, magnificent range of the artist's graphic output. Ends March 20. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily

Lenbachhaus Sophie Taeuber-Arp (1889-1943): retrospective of the influential early 20th century German painter. Ends March 13. Closed Mon

Villa Stuck Dan Graham (b1942): pavilions, video-installations, photoworks and large scale models by one of the leading American conceptual artists. Ends April 24. Closed Mon

NEW YORK

Museum of Modern Art Frank Lloyd Wright: 30 scale models, architectural fragments, full-scale constructions and 350 original drawings, many never previously shown in public. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed

Metropolitan Museum of Art Lucian Freud. Ends March 13. Degas Landscapes. Ends April 3. The Golden Age of Danish Painting 1780-1850. Ends April 24. Caspar David Friedrich to Ferdinand Hodler: 19th century paintings and drawings from Germany and Switzerland. Ends April 24. 16th Century Italian Renaissance Drawings in New York Collections: little-known works by Raphael, Michelangelo and Titian. Ends March 27. Closed Mon

Guggenheim Museum Robert Morris (b1931): 170 works by the American minimalist. Ends April 17. The main museum is closed on Thurs, the SoHo site on Tues

PARIS

Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues

Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: three monumental versions of the Dance. Ends March 6. Closed Mon (11 ave du President Wilson)

Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues

Musée du Luxembourg The Glorification of Saints in the Limousin Region: 100 examples of religious art from the Middle Ages to the 20th century. Ends March 9. Closed Mon (19 rue de Vaugirard, on edge of Luxembourg gardens)

ROME

Palazzo Venezia The Normans 1030-1200: a vast exhibition examining every conceivable aspect of this extraordinary people. Includes scale models of fortified castles and objects in gold, silver and ivory from 140 American and European museums (250 pieces from the Caen Museum in Normandy alone), and a reproduction of the Bayeux tapestry. Ends April 30. Closed Mon

VENICE

Chiesa San Bartolomeo Tintoretto: 15 religious paintings from Venetian churches. The aim of the exhibition is to present paintings not normally accessible to the public, such as the cycle of six canvases illustrating the life of St Catherine. Ends May 1. Daily

Museo Correr Pietro Longhi: an exhibition of paintings, comprising mainly elegant genre scenes, by the Venetian rococo artist. Ends April 4. Daily

WASHINGTON

National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Renaissance Portrait Medals. Ends May 1. Hans Hemling's St John the Baptist and St Veronica: two panels by the late 15th century painter from Bruges. Ends May 15. Daily

Phillips Collection Brancusi: photographs and sculpture by the Romanian modernist. Ends April 17. Daily

Renwick Gallery William Daley: ceramic works and drawings by one of the leading figures in the history of American crafts. Ends April 17. KPMG Peat Marwick Collection of American Craft: 22 high quality works made of clay, fibre, wood, paper and metal, by 18 artists. Ends April 17. Daily

WUPPERTAL

Von der Heydt-Museum From Cranach to Monet: 72 paintings from the Romanian National Museum in Bucharest, including works by Rubens, Rembrandt, Tintoretto and Sisley. Ends March 20. Closed Mon

ZURICH

Kunsthaus Richard Gerstl (1883-1908): 70 portraits and landscapes by the least known of the great Viennese Expressionists. Ends May 8. Closed Mon

Grab for a lifebelt

Auditors want to put a cap on their liability, says Andrew Jack

Mr Larry Weinbach, chief executive of Arthur Andersen, the world's largest accountancy firm, does not hesitate when asked to name the three most important challenges for his profession today: "Litigation, litigation and litigation."

Mr Weinbach has been leading a campaign in the US to limit the exposure of auditors to litigation. Yesterday, the largest eight accountancy firms in the UK joined the bandwagon.

The UK firms want company law amended to allow auditors to negotiate limits on their liability if they are sued when a company collapses. They would like to change the principle of joint and several liability in English law, by which the courts can force auditors to pay the full extent of any damages regardless of their degree of blame.

However, the firms recognise the difficulty of winning public support for such a radical change. So in the short term they are calling for section 310 of the 1985 Companies Act to be excised. Under this clause, first introduced in company law in 1928, auditors are forbidden to place any limit on their liability. If the section were removed, auditors would be free to negotiate a cap on their damage liability calculated as a multiple of their audit fee.

Under the present system, the firms' exposure is unlimited, at a time when the sums to which they are exposed have escalated sharply. In the most notable example, legal actions commenced against auditors in connection with the collapsed Bank of Credit and Commerce International total more than $8bn in damages.

Settlements reached with auditors in the past few years have also involved large sums. For example, Ernst & Young paid out $110m last year in connection with its audit of a company acquired by Allied Irish Banks, and $400m in 1992 in connection with its work on savings and loan institutions (the equivalent of UK building societies) in the US.

The firms argue that they are increasingly seen as tempting targets for plaintiffs because they are perceived to have "deep pockets" – substantial resources generated by profits or insurance cover. Other potential defendants in corporate collapses, such as the directors, often have minimal assets and are therefore not pursued for compensation.

In a submission on Tuesday to the Department of Trade and Industry, the firms argue that if they remain unable to cap their liability they may turn away high-risk clients and raise audit fees.

"There is a real danger that firms will collapse," says Mr Ian Brindle, senior partner of Price Waterhouse. "The Big Six firms could become the big three within a very short space of time." The firms say that commercial insurers have stopped providing cover after concluding that the risks of audit litigation settlements are unquantifiable.

The report sent to the DTI suggests that the number of claims against the largest six firms jumped from just three in 1982-83 to 627 last year. Over the same period, insurance premiums increased by a factor of nearly 38 and the limits below which the firms had no external cover rose 27 times.

For the largest eight firms, insurance premiums, negligence claims and legal costs as a proportion of audit fee income are calculated to have risen over the past decade from 2.6 per cent to 8 per cent.

Not everyone is swayed by such figures, however. There are two significant objections: that auditors are only facing legal actions because they have audited negligently; and that the firms are still highly profitable and the crisis not as great as they portray.

Mr Martin Hayman, group legal adviser to Standard Chartered, the international banking group, says: "If auditors were doing their job properly and went back to basics we would not have this litigation. From our experience there has been a manifest failure by them to carry out their responsibilities." The bank successfully sued Coopers & Lybrand and other defendants for $62m in 1992 in connection with the audit of Miniscribe, the US disc-drive maker.

Mr John Newman, a partner with Chantrey Vellacott, a medium-sized accountancy firm, says: "The campaign is riddled with the illogic that can only arise through self-interest. Auditors have been given a government licence to conduct their work. That comes with a cost. Just show me a case in the last 10 years where the firms have paid out unjustly."

Mr Brindle replies: "We do not do every audit perfectly. We are human beings. If we made a mistake we are willing to pay our fair share. But we object to paying every else's share too. Fairness seems to have gone out of the window."

Mr Hayman is also sceptical about the selective figures chosen by the firms to present their case, which do not show data such as the total value of claims or settlements, and which give no idea of the firms' profits or assets. "If people were to see the worldwide earnings of the firms they would not have any sympathy," he says.

Mr Brindle of Price Waterhouse says the DTI has not requested any such financial information, although the firms would consider providing it if asked. But he argues that the litigation crisis is now so great that "you may as well take my inside leg measurement, it's as relevant".

Critics maintain that the argument for reform in the US – which has jury trials for civil litigation and more writ-happy plaintiffs – is stronger than in the UK. Mr Emile Woolf, litigation services partner at Kingston Smith, the accountancy firm, says a change to the law may not be necessary because recent decisions by English courts have tended to restrict the liability of auditors for damages.

He adds that introducing and publicising a cap on audit fees would prompt plaintiffs to increase their claims in litigation up to that level.

For its part, the DTI says that any new legislation would require wide consultation, and would have to provide a solution that serves "the wider public interest", and not just the firms.

The accountancy firms draw some comfort from the appointment late last year of Professor Andrew Likierman as government accountancy adviser. In 1989 he co-ordinated a report – later dropped – calling for reform of the law on audit liability. The question is whether the crisis has become appreciably worse since then. At present, the public interest case seems weaker than the self-interest of the firms.

Unless firms furnish additional financial information to the government and an analysis is undertaken of the quality of the audits for which they have been sued, convincing the DTI and the wider public to support their case may prove difficult.

Joe Rogaly

Third-degree scolding

Take Mr Paddy Ashdown's word for it, Britain is in a profoundly depressed and bewildered state. "There is a deep and almost tangible sense of a hope that has died and a leadership that has failed," the leader of the Liberal Democrats says in his new book, *Beyond Westminster**. "There is a dangerous mood of fatalism, . . . a loss of national self-confidence and even self-respect," he tells us. The promise of the last decade, it seems, is now revealed as an illusion. People are looking for a lead, but do not expect to find it within traditional politics. We get the picture.

Ordinarily, one might dismiss this kind of talk as the lamentation of a man cursed with the honour of running the third party in a two-party system. The Lib Dems know more than most about the politics of frustration, unfulfilled dreams, broken optimism, unmet expectations. There was a time, little more than 10 years ago, when Labour appeared to be in terminal decline. The Liberals were given life by the sudden appearance of the Social Democratic party, part of whose support came from Labour schismatics. The Liberal-SDP Alliance became increasingly popular. It undertook to meet the aspirations of millions of people who had rejected socialism but could not accept what was becoming known as Thatcherism.

Consider what has happened since. In the 1983 general election, the Alliance attracted a quarter of the vote, only two points behind Labour's 27.6 per cent. In the feverish imagination of its supporters, it was about to overtake the people's party. In 1987 the Liberals and SDP, counted together, crept up a point, but Labour moved ahead three, to 30.8 per cent. After that the partnership collapsed. The bulk of the SDP merged with the Liberals and the rump was wound up.

When he became leader, Mr Ashdown had to build a new centre party out of burnt embers and ashes. He had half a term in which to do it. At the April 1992 election the score was: Labour 34.4 per cent, Lib Dems 17.8 per cent. The Labour party not only moved well ahead in popular votes; it also chalked up more constituencies in which it was placed an encouragingly close second behind the Conservatives.

These figures can be interpreted in two ways. Labour optimists say that the third party is on its way out; that their natural prize is an overall majority in 1996. The early 1980s schism is healing. History is just being a little slow about it. Lib Dems respond that their April 1992 vote was a miracle, considering their disarray only three years previously. They came from nowhere to the votes of nearly a fifth of the electorate. They have since equalled or outperformed Labour in local elections and by-elections. Their support is, at last, geographically concentrated. This gives them the power necessary for success under the first-past-the-post system. An analysis of opinion polls and other statistical evidence published by the Electoral Reform Society yesterday suggests that the Lib Dems might be the biggest gainers in the elections to the European Parliament on June 9. Victories are also anticipated in the local council elections in May. All this, plus the possible capture of Eastleigh from the Tories at the forthcoming by-election would put the Lib Dems back in the headlines.

Ashdown would not increase Whitehall control over local initiatives. That is the mistake being made by Major's government

Mr Ashdown's book must be seen in the context of this arithmetic. The two larger parties do not offer national salvation. The Lib Dems are tempted to offer something different in order to succeed. Their speciality has always been to act locally and think expediently. The Lib Dems leader has gone local, and thought through the consequences. During parts of 1993 he spent half his working week outside Parliament visiting and sometimes working with non-famous, non-political people in the worst areas of Bristol, London, Manchester and Liverpool. He went down the mine at Monktonhall and spent time with silk weavers in Suffolk. His 21 excursions in the British Isles, plus one in Bosnia, led him to the dark conclusions summarised above.

He found optimism to balance the gloom. Where people were free to arrange things for themselves, through self-help, local community organisations, small business and the like, he discovered the theme for a subtitle: "Finding hope in Britain." He is clear about the direction in which politics should now travel. "This country will not solve its problems unless we can unleash the power and imagination of Britain's communities," he writes. Westminster, the home of the national Parliament, was not one of the solutions; "it has become one of the problems".

It is too easy to point out that winning at Westminster has always been a particularly knotty problem for the Lib Dems. Mr Ashdown's book, which was worth doing and is worth reading, could then be dismissed.

Let us rather address his effort with the seriousness it deserves. The policy implications of his experiences among the people are not particularly profound, but they are not insignificant either. Never mind the tedious details. Hours could be spent debating whether he is right about taxation or health, or questioning trendy terms like "partnership". The generality is what matters at this stage.

It is as follows: the Lib Dem leader postulates a less hierarchical society, in which a better-educated population depends less on central government. Communities would take responsibility for their own actions. He would run against the administration just as Lady Thatcher did in her heyday. The difference is that he would not strengthen Whitehall's control over local initiatives. That is the mistake now being made, in spades, by Mr John Major's government.

Sounds familiar, does it not? It is. Similar statements came from pre-Thatcher Conservatives. They are beginning to be heard, if slightly muffled, from the post-Thatcher Labour party. The Lib Dems will have a useful role while Labour's slow and doubtful conversion to getting central government off our backs remains untested. Meanwhile, Mr Ashdown has made himself the principal opposition spokesman on foreign affairs, eclipsing the Labour chap, whoever he may be, with his persistent and pointed questioning on Bosnia. It would, however, be a mistake to conclude that there is a seat in a Labour cabinet waiting for him. The voters will decide that.

**Simon & Schuster, London, £9.99*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Driving too hard a bargain endangers audit standards

From Mr A A Sommer Jr.

Sir, I read with interest your article, "Auditing the auditors" (Management, February 7). Certainly management should ensure that it receives full value in exchange for a reasonable fee for audit services.

However, the Public Oversight Board, which oversees the peer review programme of the American Institute of Certified Public Accountants in the US, is concerned that unduly harsh bargaining with regard to audit fees may result, and, according to information we have received, has resulted in auditors taking measures to reduce the amount of work done in connection with audits. This has led to a consequent lowering of the quality of such audits.

In our report of March 5 1993, we strongly urged that boards of directors and audit committees resist the temptation to drive the hardest possible bargain lest they damage the quality of the audits they received.

A A Sommer Jr.
Public Oversight Board,
One Station Place,
Stamford CT 06902,
US

Economy as a lottery

From Mr Robert Blood.

Sir, Surely you do not believe that the panel of "wise men" (Leading article, February 23) was set up to serve the public and demonstrate the willingness of government to listen to its critics? It was really a cunning ploy to disarm its critics, by proving that even the best-paid experts don't know what's going to happen, nor what should be done to make it better.

As Samuel Brittan showed recently with OECD forecasts, we could have done them as well by throwing dice.

With the opposition barely differing from the Tories on economic policy, now is the time to hand over management of the economy to a truly independent body: the National Lottery.

Robert Blood,
Robert Blood Associates,
The Hat Factory,
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London W1V 3AD

Euro Disney still missing a trick

From Dallas Willcox.

Sir, Euro Disney may want your readers to believe prices have been reduced ("Euro Disney shares slide on fears of restructure", February 23), but there was no evidence of this when my family and I were at the resort a week ago.

As I pointed out in a letter to Euro Disney's managers upon our return, we found food and gifts to be just as expensive as they were on our first visit, in July last year. Food was about double what we expect to pay in the UK; the gifts on sale which are available in Britain were at least 50 per cent dearer; the variety of food available also continues to be disappointing.

Euro Disney is still magic, but the trick of encouraging increased sales has still not been perfected.

Dallas Willcox,
2 Highview Road,
Thundersley,
Benfleet, Essex SS7 3LF

Better to lock in directors with options – or offer them a riskier route?

From Mr D M Barclay.

Sir, While the position outlined by Mr C W Daws (Letters, February 22) regarding share options is correct it overlooked another central point. Share options, as well as rewarding directors, normally, by their structure, tie them to a company for a number of years as it is usual to have a waiting period before the option can be exercised.

A cash bonus scheme could only achieve this same aim if payment were deferred for several years, perhaps on a "rolling forward" basis.

D M Barclay,
Richardson Hosken International,
100 Fenchurch Street,
London EC3M 5LQ

From Mr Peter Newhouse.

Sir, Mr Alan Judes (Letters, February 19) laments that the value of share options is not made clear at the time they are granted. But is he not asking for the impossible? Even if, as he suggests, "the value of traded options is reported on a daily basis" it is misleading to suggest that the application of a standard valuation formula (such as Black & Scholes) to directors' remuneration will move corporate governance any further forward. The real problem with share options is that no-one really knows what they will be worth. Executives and companies alike quite rightly take the view that at the time of grant the value lies in an as yet unrealised prospect of gain.

The solution lies not in the "proper disclosure of the value of the option grants" but in changing the role of shares in long term incentive schemes for top management. By granting shares (not options) on the basis of the company's performance and then locking up those shares for a holding period, the company can show a real prospective value to both executive and shareholders. This arrangement, unlike share options, makes a shareholder of the executive who, like other investors, will lose money if the share price falls.

The larger companies are now replacing directors' share options with this kind of scheme, so the joke of it is that by the time the accounting standards board finally determines a basis for disclosing the value of share options in the report and accounts, share options may no longer represent a significant part of directors' remuneration packages.

Peter Newhouse,
director,
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Zealousness costs dying dear

From Mr Anthony Steen MP.

Sir, It's not just living but the cost of dying which will be outside many people's reach ("Rule change may push up funeral costs", February 22). Nor do I believe Europe can be blamed for a possible increase of £100m in our funeral costs. It is more likely the result of over-zealous interpretation by our public officials of rules and regulations made under the Environmental Protection Act.

The fault lies not with Brussels but with the UK government which has allowed the civil service far too much latitude. Nor can we wait for the passing of the deregulation bill, currently before parliament; the bill's teeth are yet to be sharpened let alone tested.

Anthony Steen,
House of Commons,
Westminster SW1A 0AA

No foul play over rent reviews for commercial properties

From Mr William McKee.

Sir, Mr V A G Tregear (Letters, February 9) questions the "sense and legality" of upwards-only rent review provisions in commercial leases. But he presents no evidence to support the emotive suggestions that such provisions have led to "agony" for tenants.

In its submission to the government's recent review of the commercial lease structure, the British Property Federation supplied detailed research on the effect upwards-only rent reviews (UORRs) have on the market. The principal conclusions of this research were:

1. For all but seven of the last 22 years, the retail prices index has been at a higher level than either net rental income or rentals value.
2. Rental values moved faster than retail prices in the early 1970s and late 1980s, but in each case only for a period of about three years.
3. Of new leases agreed on a conventional basis in each of the past 22 years, all but those let in 1989 and 1990 would have produced savings for the tenant compared with RPI-linked agreements. The average level of savings to the tenant would have been 24 per cent of the total rent bill.

From this, we see nothing to support Mr Tregear's passionate cry of foul play.

The government is expected to make an announcement on the conclusions of its review shortly. There is no case for intervention based on the suggested effects of UORRs or on principle. The market has demonstrated that it is able to respond to client needs: 20, 15 and 10-year commercial leases are now available, as are break clauses. The rental price of much commercial space has also responded to market pressure in tenants' favour.

Over recent weeks, ministers have made much play of the government's deregulation initiative and, more particularly, the powers it needs to repeal legislation burdensome to business. The commercial property market has responded to the rapid change in clients' needs. It would be a particular irony if the government were now to ignore its own guiding principle of minimum intervention by distorting the market.

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FINANCIAL TIMES
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Friday February 25 1994

Yeltsin bends to the winds

The west can no longer base its policies on the assumptions that Russia will manage market-oriented reform, remain democratic and continue to be co-operative. But it must also prevent prophecies of doom from becoming self-fulfilling. Unfortunately, past performance does not suggest it will walk this tightrope with skill.

Russia's more assertive stance in eastern Europe and the Balkans, a spy scandal in Washington, the decision of the parliament to grant amnesty to organisers of last October's uprising and Mr Yeltsin's speech yesterday all give cause for concern, particularly after the election results and the resignation of reformers from the government. The speech shows how far the Russian president feels obliged to adopt the attitudes of his opponents. It also demonstrates the lack of any coherent economy policy.

What were Mr Yeltsin's main themes? That the Russian state must be strengthened; that it must defend Russians living in the "near abroad"; that Nato must not expand; and, finally, that the tax burden must be cut, while both the poor and a range of strategic industries are helped.

What, other than that the Russian president is confused, can be concluded from this litany? One conclusion is that a weakened Mr Yeltsin is trying to marry the reforming hedgehog with the reactionary snake, the mistake for which he once condemned Mr Mikhail Gorbachev. A second is that this is unlikely to endure. Yesterday the rouble fell from 1,624 against the US dollar to 1,657. Accelerating inflation is unlikely to prove a workable – still less a palatable – way of bridging the gap between claims upon the state and the inability of that cadaver to meet them.

This government will soon find itself in dire straits. The west must be able to respond to that eventuality, for it is conceivable – if unlikely – that another window for reform would then emerge. The meeting of the finance ministers and central bank governors of the Group of Seven leading industrial countries in Germany this weekend is the occasion for discussing what it would then do.

Apparently, the finance ministers and central bank governors intend to ask the new Russian government to assure them of its determination to bring the country's inflation under control. In return, they hope to liberate the funds agreed at the last world economic summit in Tokyo. Nothing could be more ill-timed. The assurances would be worthless, and aiding a government that has no real commitment to reform, after failing to aid one that did, would be typically absurd.

Western policy must be a nuanced holding operation. Russia is not yet a reliable friend. Nor is it a convinced enemy. The west bears part of the blame for the failure to achieve the former. It must avoid acting now in ways that guarantee the latter. The only possible approach is to respond to provocation, while encouraging co-operation. It will not be easy. But who imagined it would be?

Private finance

Public spending outstrips the willingness of taxpayers to fund it in most countries of the OECD. Yet there remains considerable demand for greater investment in infrastructure such as roads, railways and river crossings. Public services are also denied funds for desirable capital projects.

Demographic trends mean that such pressures are likely to increase. A shrinking band of people of working age will have to finance public services, while demand for those services rises from the growing band of those who have retired. The idea of meeting needs for public services and infrastructure through private sector investment is proving attractive in many countries.

This week's decision by the UK Labour party to explore the private financing of public projects is therefore welcome. A party that promises better public services needs to explain how it will fund them in an era when the taxpayer demands more for less. Harnessing private sector capital and management expertise may be one way of achieving that. If Labour's initiative is to be convincing, however, the party will need to reconsider its policy of clamping down on the private sector in the National Health Service.

Despite this inconsistency, Labour's conversion has succeeded in discomfiting the Conservative government whose private finance initiative, launched in November 1992, has yet to show any real progress. A list of projects issued by the Treasury as evidence of its success is heavily larded with proposals that have yet to get off the drawing board. The accompanying brochure is consequently filled with artists' impressions rather than pictures of holes in the ground.

The absence of progress has created a mood of cynicism among those who might build or finance infrastructure projects. An attempt to sell the government's initiative to the City at the Mansion House on Tuesday encountered deep scepticism. As Sir Alastair Morton, the businessman brought in last November to push the initiative forward, observed, a lot of businesses have spent a lot of money on proposals and so far have very little to show for it.

One reason for this is that there is still not a clear understanding in Whitehall of the level of risk that the private sector will assume in joint projects. Another is that there are too few incentives for civil servants to approve them. The search for a perfect formula means that the best has become the enemy of the good.

One way to shift the logjam would be to set targets for involving the private sector in areas of public expenditure where the greatest contribution could be made. Broadcasters, for example, are already required to use independent producers for 25 per cent of their output. The Social Market Foundation, an independent think-tank, recently proposed similar targets for organisations financing public services. The proposal has merit.

Over to LegCo

Mr Chris Patten, the governor of Hong Kong, will today publish the second and more controversial of his two electoral reform bills. China has not availed itself of the chance for further discussion offered by Mr Patten's decision to delay this bill, while going ahead with the supposedly "straightforward" items in a separate bill which was passed by the Legislative Council (LegCo) on Thursday. Mr Patten could not delay any longer if arrangements are to be in place for next year's election.

He has not chosen to incorporate into the bill any of the concessions which Britain offered during eight months of fruitless negotiations with China last year. These concessions were not popular with the pro-democracy block, which comprises most of the directly elected members of LegCo, and without whose support the bill would certainly not pass. But, by publishing a detailed record of the negotiations in a white paper yesterday, the British government has dropped a broad hint to centrist members of LegCo about the sort of amendments it could live with. Mr Patten's advisers reckon the pro-democracy group are more likely to vote for the bill after it has been amended in LegCo than if the concessions are presented as British government policy.

Outsiders may well wonder what is the point of this parliamentary gavotte, when China is serving notice that it will ignore the result and dissolve the offending LegCo as soon as Beijing assumes sovereignty in 1997. It seems quixotic for Britain, after conceding so much, to be jeopardising its relations with the world's most populous country and fastest-growing economy for the sake of a few extra seats in an assembly which will only last two years.

With hindsight, it seems naive of Mr Patten to have imagined that he could persuade China, by a public demonstration, to accept more than it would in private talks. We shall never know whether, if he not chosen this method, China might have been more willing to accept the "through train" arrangement giving LegCo members elected in 1995 security of tenure until 1999.

Yet if he had not set out his proposals in public he would certainly have been criticised, both in Hong Kong and in the UK, for not even attempting to set up a representative legislature before handing the colony over to Chinese rule. Wednesday's vote on his first bill, when he actually had a majority larger than the one that backed his original proposals, and including almost all the directly elected members, suggests that support for what he is trying to do persists among the general population, although this is not true of the business community. At least this way he is giving Hong Kong people the chance to experience two years of relative democracy, if they so choose, and to leave China's rulers with the responsibility of dismantling it in full view of the world, if *they* so choose.

Nikki Tait examines the impact of Australia's new legislation on relations between Aboriginal peoples and industry

No longer just a dreamtime

Mr Malcolm Douglas wants to build a crocodile farm in Broome, 2,000km to the north of Perth. He already operates a crocodile park in the remote coastal town, but said it had become overcrowded to the point at which the crocodiles were maiming each other. The business as it stands is too small to be viable. If the new project were to go ahead, about 20 jobs, in an area with limited employment prospects, could be created.

The problem for Mr Douglas is that the local Yawuru Aboriginal people believe the proposed 21-hectare plot lies on land of spiritual significance, and that the development could interfere with their ceremonial rites. So under legislation that came into force on January 1, they have lodged a claim with Australia's Native Title Tribunal, a new federal organisation to arbitrate on indigenous peoples' land rights.

It is one of the first demands to be submitted to the tribunal. The process will be complex. First, the veracity of the tribe's anthropological history must be established. Next, the claim must be registered and advertised in local papers. Finally, hearings to determine the claim's merits may take place.

Meanwhile, Mr Robert Tickner, federal minister for Aboriginal affairs, has ordered a 30-day halt to work on the site. "At last it has been recognised that our cultural heritage is threatened," said Francis Djaigween, a Yawuru elder.

Elsewhere, other cases are beginning to be brought under Australia's native title legislation, which was passed by parliament just before Christmas. The first claim – from the Wiradjuri people over land in New South Wales – passed the anthropological test yesterday.

Today debate over the degree to which the act impinges on state rights is expected to dominate a meeting in Hobart, Tasmania, between the prime minister, Mr Paul Keating, and Australia's state premiers.

The law stems from a 1992 High Court ruling that said, for the first time, native title rights could exist in Australia if the indigenous inhabitants had maintained a "close and continuing" association with a piece of land.

With that single ruling, the doctrine of *terra nullius* – the notion that Australia was unoccupied prior to European settlement – was overturned. Until then, Australia had been the only former British colony not to recognise land ownership by the indigenous peoples – lagging Canada by 200 years and New Zealand by a century and a half.

The High Court ruling, however, was a mixed blessing for Australia's 265,000 Aborigines, who account for 1.6 per cent of the population. While acknowledging native title rights, the court also declared that existing leasehold or freehold titles, which had been granted lawfully, should not be disturbed.

Faced with squaring these two seemingly conflicting requirements, the government drew up the Native Title Bill. This set out a system for "validating" most existing land titles and formally cancelling competing native title rights. Compensation for genuine Aboriginal claims would be paid by either the state or federal governments.

The law also made an exception of mining leases. For these, it said, native titles could coexist with an existing lease and "revive" when that lease expired.

When the Native Title Act was passed on December 21, Mr Keating said it offered "a modicum of justice to indigenous Australians". He added: "Today, we move closer to a united Australia which respects this land of ours."

But as the legislation comes into operation and claims, such as that from the Yawuru people, start to arrive at the tribunal, the effects are proving more complicated. The legislation was a political compromise between conflicting interest groups and, like most compromise deals, it extracted a price all round.

Those affected fall into four broad groups. The first comprises the Aborigines and the indigenous inhabitants of the Torres Strait islands. Widely dispersed across Australia's vast land mass, they entered the native title debate with disparate views. For some, the act is a failure because it eliminates native title rights on large tranches of Australia which had been theirs.

Others have been more pragmatic, arguing that any chance to claw back some rights should be seized. "The land was ours and taken away from us," said Mr Peter Costello, a Cape York elder, during the negotiations in Canberra. "The European people are going to lead this country, and I won't be coming here again. But we never said that we were going to take everything ... We just want some vacant crown land."

This may be a realistic assessment of what Aborigines can hope to achieve. Over the past 200 years, many have moved – or been moved – off their forebears' land, so the "close and continuing" land association requirement will not be readily met. More than a quarter of the Aboriginal population lives in Australia's eight state/territory capitals.

Using such residence patterns, Aboriginal leaders estimate that only about 10 per cent of their peoples stand a realistic chance of benefiting directly from the native title legislation.

Because land association is most likely to have been broken when freehold or leasehold title has been granted to white settlers, the best chances of a successful claim will be against unused land owned by the nation. Most of this lies in west Australia. Here a bruising battle between the state and federal governments is under way, casting a cloud of uncertainty over the short-term progress of any claims.

While Mr Keating's Labor government was battling to get its land rights legislation passed in Canberra, the conservative Western Australian government enacted different native title legislation in Perth. That removed native title rights altogether, replacing them with much weaker "rights to traditional usage" of the land (for ceremonial purposes, for instance).

The Western Australia legislation is already under assault. Aboriginal groups have mounted a legal challenge, claiming that it breaches federal racial discrimination legislation.

Mr Keating has suggested that only those states and territories that support the federal act will get federal help with compensation payments. Mr Richard Court, premier of Western Australia, said that amounted to "blackmail". He has some backing from other states and territories, which have yet to introduce their own legislation on the subject.

'On one view, this is a classic clash between God and mammon,' said one Perth-based judge of the Yawuru case

Even if the federal regime eventually prevails – as seems likely – short-term confusion is inevitable, further complicating procedures for processing Aboriginal claims. No sooner had Mr Tickner issued his order over Broome's proposed crocodile farm, for example, than the Western Australian authorities announced they would challenge it.

As for the 90 per cent of Aborigines who may gain little directly from the legislation, the Native Title Act promises a new land fund to assist Aboriginal land purchases and management "in a way that provides economic, environmental, social or cultural benefits". The fund will form part of a broader "social justice" package designed to address the disadvantages faced by the Aboriginal population.

For many Aborigines, this is every bit as important as the act itself. But they will have to wait for the details: Canberra has yet to set a budget for the fund and has said the package would not be finalised until 1995.

The second group affected by the legislation is the mining industry, which believes it has lost heavily under the new law. It complains that the costs of doing business in Australia will go up, forcing many companies to look abroad for new projects.

To some extent, however, the complaints of the mining industry are exaggerated. Existing leases are "validated" by the new act, and if a lease granted before 1994 contained a specific right to renew, that too is enforceable.

But future exploration, say the mining companies, is another matter. The Australian Mining Industry Council estimated that the new tribunal might delay the development of a project by up to two years, and said its members were already reassessing their exploration plans.

"Title problems are getting worse," said Mr Hugh Morgan, head of Western Mining and one of the Native Title Act's most outspoken critics. "Most exploration programmes are studying their navels at present for 1994-95. They [the implications of the Act] are only slowly permeating down."

The AMIC points to a report by the Centre of International Economics on the impact of an Aboriginal land rights law that operated in the Northern Territory since 1976, and the degree to which it has restricted mining activity. The report estimates that the law has cost the Northern Territory about A$2.39bn (£1.2bn) in income over the period.

Defenders of the federal act, however, point out that Northern Territory law differs significantly from the new legislation – giving Aborigines a right of veto over mining exploration, for example. At the same time, they say, the CIE study used figures based on numbers of exploration licences. That gives a distorted picture, because exploration on Aboriginal land tends to be large scale. Four-fifths of the minerals produced in the Northern Territory come from Aboriginal land, according to the Central Land Council, which represents local Aboriginal landholders and claimants.

Nevertheless, the need to resolve native title issues will inevitably add something to a mining companies' costs. How much, and the extent to which it makes offshore alternatives more attractive, will depend on a variety of factors – ranging from the efficiency of the Native Title Tribunal and the attitude of individual Aboriginal groups to external factors such as Australia's exchange rate.

The mining industry admits that it will take time for the impact of the new law to be felt. "In fact, the exploration dollar spent over the next couple of years will probably go up," said Mr Geoffrey Ewing, assistant director of the AMIC, pointing to the long-term nature of the mining business. But eventually, he warned, "it's just one of those things which will tip the balance for some companies".

Other land-based industries, ranging from Australia's farming community to the large tourism sector, are the third group affected by the act. In general, thanks to deft lobbying by the National Farmers Federation, these are relatively well protected under the legislation because land titles will be validated.

Any new businesses, however, and those looking to expand or relocate will in future have to bear in mind the possibility of an Aboriginal challenge – as the Malcolm Douglas case demonstrates.

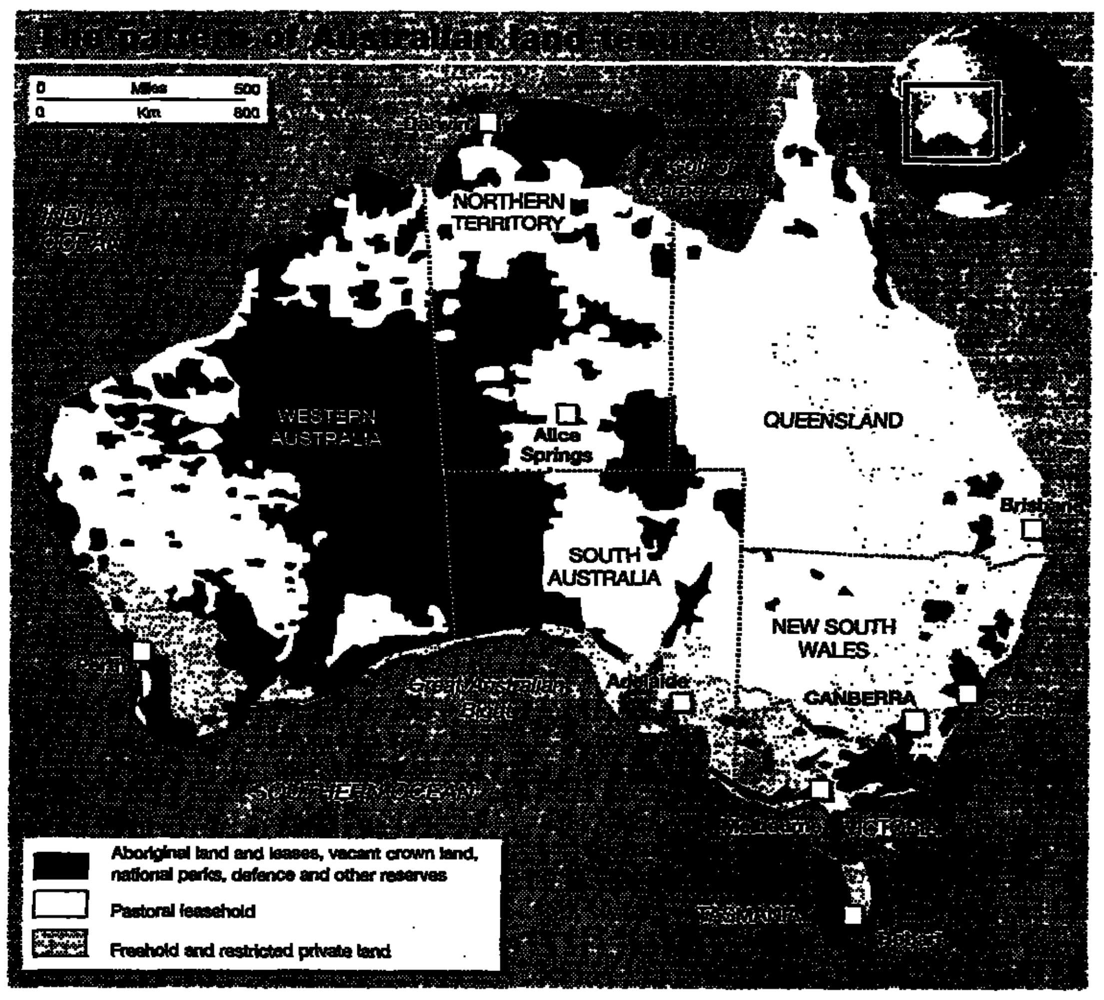
The fourth principal effect of the new legislation is on Australian identity. Most sea-hugging, city-dwelling Australians learn about the problems of the Aboriginal population second-hand, but their reaction to the legislation nonetheless has been mostly favourable. As Mr Keating said, no one's home would be seized, taxes had not risen, jobs were not affected. For little obvious cost, Australians had gained a sense of having righted old wrongs.

Whether this mood would persist if an economic price became apparent is more debatable. There have been suggestions that the costs of the native title legislation, plus the accompanying Aboriginal social justice package, could lead to a tax rise at a later date. But even if federal taxes do increase, Australia's long-term unemployment problem is more likely to be blamed than the Aborigines.

All along, realpolitik has been at the centre of the Australia native title debate. The country has tried to find a way of melding its original culture, with its spiritual values and its belief that land is integral to life, with a more commercial, western approach. While the solution may lack elegance, Australia is at least offering something to its indigenous peoples – albeit 200 years too late.

As one Perth-based judge, commenting on the Yawuru case, remarked: "On one view, this is a classic clash between God and mammon. The economic interests of a commercial enterprise are set against the spiritual and cultural life of a section of the community.

"Of course," he continued, "it is not that simple. Both sets of interests are entirely legitimate."



OBSERVER

Wanna traded option?

■ It had to happen sooner or later – gambling on gambling has arrived, thanks to the Chicago Board Options Exchange. From the end of the month the CBOE will trade options on an index of 15 US companies operating land-based and riverboat casinos.

The CBOE reckons the move will appeal to those interested in hedging exposure to the gaming sector. It sounds more like a sophisticated version of the old three-card trick routine.

But the decision is even more piquant, given that Chicago's authorities seem to take a pretty dim view of dice, fruit machines, roulette, raffles, bingo *et al*; the only legal betting within city limits is state-sponsored lotteries and off-track betting on horses.

If Richard Daley, Chicago's mayor, had his way, the windy city would get a splendid land-based casino. No way, says Jim Edgar, Illinois governor, himself keen on protecting the state's growing riverboat gaming business. Why not join forces, and get the riverboats plying the city's waters?

Pr-U turn?

■ Has Mick Newmarch, the Prudential's outspoken boss, lost his voice? The most vociferous critic of the proposed Personal Investment Authority has been maintaining an uncharacteristically low profile since publication of the PIA's prospectus on Monday.

One theory is that, by leaving some daylight between his previous utterance and his post-prospectus comment, Newmarch may be rehearsing how to do a U-turn without attracting undue publicity. Alternatively, he may just be pausing for dramatic effect before refusing to sign up to the new regulator. All the same, the sooner Newmarch starts barking again the better. The insurance industry wants to hear from its leader.

Pergau-Tory

■ Banana skins have an irresistible magnetism. Britain's education secretary John Patten intends visiting Malaysia in April, under the aegis of something called the Overseas Projects Board Education and Training Group of the DTI. The object? Selling educational equipment.

Malaysia is, of course, home to the Pergau dam, financed by £234m in aid from the UK and now being probed by the foreign affairs committee over possible links with a £1bn arms deal.

His trip means Patten will diplomatically avoid the National Union of Teachers' annual conference. But Sir Tim Lankester, now perm sec at education and also Malaysia-bound, can hardly be looking forward to the junket.

For it was Lankester who, when at the Overseas Development Administration, advised the government not to touch the dam with a barge pole.

'It's my P45 and a 'Dear John' letter'

Major's Willies

■ Lord Whitelaw, grand old man of Tory politics, appears to be enjoying his return to the political limelight. Just two weeks ago, he forced Michael Howard into a humiliating retreat on his plans to shake up the police.

Now Observer learns that Willie, as Lady Thatcher always called him, is determined to have a say in the cabinet reshuffle which will follow the inevitable Tory defeats in the local and European elections. He is preparing to tell John Major that however much the prime minister admires Lord Archer's campaigning skills, the extrovert novelist and former MP must not be given the party chairmanship.

With his own position so precarious, Major will ignore such advice at his peril. Downing Street insiders say that makes David Hunt a racing certainty for the Central Office hot seat - unless Michael Heseltine can be persuaded to change his mind.

Oiling wheels

■ The secret's out. Enterprise Oil finance director John Walmsley, who caused a bit of a stir in August by handing in his notice without another job, has resurfaced – back at his old firm.

Walmsley, 47, is helping Eurotunnel's Sir Alastair Morton put together a group of City whiz kids to work on the great ideas starting to flow from Morton's government-sponsored Private Finance Panel. Walmsley has known Morton since his Arthur Andersen days and Enterprise Oil chairman Graham Hearne, Walmsley's old boss, used to work with Morton at the Industrial Reorganisation Corporation. Helps explain why the PFP has taken rooms in Enterprise's Trafalgar Square HQ.

However, Walmsley's willingness to take an unpaid job for the good of the nation is not totally altruistic. His new platform gives him super access to all the nooks and crannies of government, the City and big business. What better way to look for a permanent job?

Touché Toubon

■ The French daily, Libération, yesterday gave Jacques Toubon, France's linguistically obsessed culture minister, a cheeky reply to his proposed bill to ban foreign, particularly English, words in French public life.

Its front-page headline, whose Englishness would certainly merit a fine under Toubon's bill, was "Toubon: My French is rich", a none-too-subtle reworking of the traditional first English phrase that every French schoolchild learns: "My tailor is rich."

Railing Jason

■ Villagers of Little Chart Forstal in Kent – through which the Channel tunnel rail link is scheduled to run – have recruited actor David Jason, Pa Larkin in the TV version of H.E. Bates' bucolic novel, *The Darling Buds of May*, to their campaign. If he fails to stop the trains, then H.E. Bates's widow Madge, now in her 80s, will be pressed into service.

FINANCIAL TIMES
Friday February 25 1994

Angry Beijing pledges to scrap elected councils in Hong Kong

By Tony Walker in Beijing and Louise Lucas and Simon Holberton in Hong Kong

China accused Britain of slamming the door to future negotiations over Hong Kong yesterday and vowed to scrap representative bodies elected in the last days of British rule.

In a statement of barely disguised fury, the Chinese government said Britain had "completely" closed the door to further talks on the colony's political development. But Beijing stopped short of issuing any threats to Hong Kong's economy.

China was responding to the passage through Hong Kong's Legislative Council (Legco) yesterday of a bill enshrining the first stage of Governor Chris Patten's plans for more democracy.

Mr Patten said a second bill would be published today and submitted to Legco on March 9. It contains proposals to broaden the franchise, which China claims break past Sino-British agreements and understanding.

In an attempt to contain the row, Mr Patten said: "Let us try to draw a line under this dispute, and co-operate together in other areas in the interests of the people of Hong Kong."

Mr Douglas Hurd, the British foreign secretary, said the UK looked forward to co-operation with the Chinese: "In particular we look forward to early agreement on financing arrangements for the new airport and on Hong Kong's ninth container terminal."

Instead, however, China is likely to step up its preparations for assuming control of Hong Kong. Beijing's Preparatory Work Committee, an authority-in-waiting comprising senior Chinese officials and leading figures in Hong Kong, is due to meet today.

After Mr Patten spoke in LegCo, the Hong Kong government took the unusual step of releasing its version of why the talks have floundered without agreement, charting the course of the negotiations and setting out the compromises tendered by Britain in a bid to reach a deal. Some 200,000 copies of the 36-page white paper were printed, 60,000 in English and 140,000 in Chinese.

The white paper, entitled Representative Government in Hong Kong, underlines the gulf between the two sides, although Mr Hurd notes in his introductory comments: "Our door has been open all along for discussion with the Chinese government. It will remain so."

Accepting the Chinese stance as it stood at the end of eight months and 17 rounds of negotiations would have been to embrace an electoral system that restricted choice and left elections open to manipulation, increasing the possibility of corruption and vote rigging, Mr Hurd said.

The three main sticking points to agreement between the two sides on the first stage agreement are China's insistence on reinstating appointed members to municipal councils and district boards after 1997; China's refusal to include the voting method for Legco within the initial agreement; and China's view that the Hong Kong government should not legislate unilaterally on any matter which had not been resolved in the talks.

"This time the choice was between sticking to our position or total surrender," said one British official.

Key to this were proposals to increase the role of the functional constituencies, where business and professional groups elect their own representatives. According to the British account, these had sought to slash the original intention to open up the franchise to 2.7m down to around 840,000 voters.

China wanted to keep the existing 21 constituencies and add nine extra ones based on corporate voting and with small electorates – in the worst instance, comprising just 100 voters.

Details and analysis, Page 4
Editorial Comment, Page 15
World stocks, Section II

THE LEX COLUMN

Back to the future

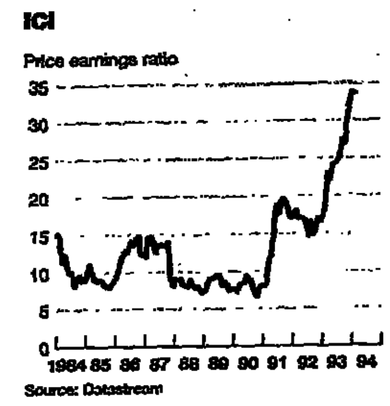
Distress feeds on distress in financial markets. The FT-SE 100's 74 point fall yesterday undoubtedly stemmed from the fall of over two points in the gilts market, which itself can be traced back to worries about US bonds. Whether there is much logic to these movements is another matter. There was not much cash selling in UK markets, where the falls were largely futures driven. There could be any number of reasons for the futures pressure. That the market is reduced to guessing is testimony both to the worrying lack of transparency of derivatives as well as to their destabilising power.

The fundamentals do not indicate great need for alarm. Equities may have been trading on ambitious multiples, but they have fallen 7 per cent from their peak at the start of the month. So far, the results season has lived up to expectations; dividends have slightly exceeded them. As for bonds, the Federal Reserve's pre-emptive tightening should be ultimately positive. If it keeps inflation at bay, short-term interest rates will end up lower than they otherwise would have been. There is no sign yet of inflationary pressures returning in the UK. Nor can the authorities be keen to raise rates again while the fiscal screw is tightening.

The real problem is that no one knows when the futures pressure will stop. While it continues, cash buyers might as well sit on their hands and watch markets become cheaper. Real long-term interest rates are rising both in the US and in Europe, though, as liquidity disappears from the bond markets. That cannot continue for long without jeopardising growth. Then equities really would have something to worry about.

FT-SE Index: 3267.5 (-74.4)

ICI



Source: Datastream

British Gas

It is funny how British Gas, having spent 18 months claiming that it was being crushed by regulatory pressure, suddenly finds that 38 per cent of its staff and £600m of costs are surplus to requirements. The company argues that it has long had plans to retrench, but that without a clear regulatory framework it was unable to act.

Yet the gas business has not had the kind of technological change which has, for example, transformed BT's manning needs. Nor can the £1.65bn restructuring cost have been an excuse for avoiding the issue, since the the operation has an enviable 50 per cent rate of return. The suspicion must be that if these people are not needed now, they have not been needed since the company was privatised. It seems the monopoly was comfortably immovable until it was hit by the irresistible force that is Sir James McKinnon.

Nor has British Gas found relief from regulatory pressure. In the medium term the RPI-4 price cap and continued loss of market share will be hard to offset, even with these cuts. Gearing is still rising, despite a 27 per cent fall in capital expenditure on exploration and production. The sale of Consumers Gas in Canada will broadly cover the restructuring costs, but that only underlines how international ambitions will have to become more selective. A 5.4 per cent yield on the shares offers some defence. Even so, it is hard to see how real dividend increases can be sustained if the aim really is for a twice-covered payout.

ICI

The profits recovery at ICI owes much to self-help and good fortune. The snag is that favourable foreign exchange rates can no longer be taken for granted. Sterling was already working against the company in the fourth quarter. Unless ICI has the stomach for another big round of rationalisation, the best of the cost savings have also been had. While slightly higher prices for titanium dioxide and PVC are encouraging, a broader recovery in chemicals prices looks some way off.

Still, ICI is generating cash after capital expenditure even at this depressed point in the cycle – thanks to a squeeze on working capital. With gearing of only 12 per cent, now that Zeneca has repaid its debts, ICI can consider some sizeable investments. The company argues that gearing of 30 per cent would be comfortable. That implies at least £800m to spend – over and above normal capital investment – should opportunities arise.

Since the thrust of strategy is now towards tighter focus, smaller acquisitions in ICI's chosen areas of competence look more likely than one big deal. Financial strength is an especially strong card where potential sellers have problems. So it is only natural that ICI should show a passing interest in the tribulations of Metallgesellschaft. With the European chemicals industry still mired in recession, similar opportunities will doubtless arise elsewhere. Having taken the knife to costs, though, the question is whether ICI can spend wisely.

Shell

Royal Dutch/Shell's annual figures confirm its happy knack for smoothing out the inherent volatilities in the oil industry. With its methodical intent, the group is also busy exploiting opportunities for future growth. Shell's heritage has left it with a strong presence in promising far east markets. Last year some 36 per cent of its £6.3bn capital expenditure and exploration spending was targeted at the eastern hemisphere, promising to give it a long-term competitive edge. Shell's £496m restructuring charge shows its determination to cut costs and tackle its blighted European chemicals business regardless of any upturn. High hopes are held out for new products such as Carilon.

But like judo wrestlers, Shell's stock market detractors can use those very strengths against it. Shell has been highly rated for increasing its dividend throughout recession. But that has left it with an uncomfortably high payout ratio in the absence of strong earnings gains. The 2 per cent rise in the Royal Dutch dividend may be more indicative of the payout trend than the currency-inflated 10 per cent rise at Shell Transport and Trading. Such progress may pale in comparison with others, like BP, which have cut their dividend floor.

Shell's low financial gearing will also make its earnings rebound soggier than those of more indebted rivals. Less adventurous competitors, boasting a higher exposure to recovering European and US demand, could also win the short-term applause.

British government tries to repair damage caused by bribery allegations

Malaysia to curb trade links with UK

By Robert Peston and Roland Rudd in London, and Kieran Cooke in Kuala Lumpur

The Malaysian government is planning this morning to say it will not award any further contracts to British companies, because of its fury at British press reports alleging bribes have been offered to Malaysian politicians.

Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, is due to announce the sanctions – reminiscent of Malaysia's "Buy British Last" policy of the early 1980s – at a press conference this morning.

British companies, led by GEC, plan to issue a statement later in the week – in the form of national newspaper advertisements – stressing the importance of Anglo-Malaysian trade relations.

Yesterday they secretly approached Mr John Major, the prime minister, urging him to telephone Dr Mahathir. It is understood that Mr Major instead sent a short statement via the Malaysian high commission. The UK Foreign Office was last night still making final attempts to head off what is in effect a break in trade relations, which could cost British companies hundreds of millions of pounds in lost business.

Dr Mahathir Mohamad, the Malaysian prime minister, has become increasingly angry about UK press reports of the alleged tactics used by the UK government and UK companies in winning Malaysian contracts. He was particularly incensed by a report in last weekend's Sunday Times alleging that a British company had bribed Malaysian politicians, the adviser said.

A banker with a close knowledge of Dr Mahathir said that he has also been bemused by criticism in the UK parliament and press that a contract to sell £1bn ($1.46bn) of arms to Malaysia was won because the UK government gave £234m of aid for the building of a hydro-electric dam at Pergau.

Sir Robin Biggam, chairman of BICC, the cable and construction group involved in the Pergau project, said last night: "This is a very regrettable and unfortunate decision for the UK. It has taken us years to build up our position in Malaysia."

Sir David Gillmore, the head of the diplomatic service, will arrive in Kuala Lumpur this morning to urge the Malaysian government to reconsider.

However a Malaysian government adviser said last night :"It is highly unlikely that the Malaysian government will be dissuaded".

Malaysia is the biggest market for UK companies in the Asia Pacific region, apart from Hong Kong. Exports to Malaysia, most of them based on contracts with the Malaysian government, were £862m in the year to last November.

The Malaysian government is expected to say that it will honour existing contracts with British companies. However, a banker who finances Malaysian trade said that a stream of other contracts, worth an estimated £2bn, would now be lost.

Yesterday morning the British high commissioner in Malaysia, Mr Duncan Slater, was told that British companies would receive no further work on a new £3.4bn international airport for Kuala Lumpur.

An Anglo-Japanese consortium including Trafalgar House, BICC and GEC had signed a memorandum for development and project management of the airport.

Billions ride on Malaysian mood, Page 8

Yeltsin speech

Continued from Page 1

in a common political effort. He stressed that the reform process was incomplete in every area – the economy, democracy tic reforms and the law – and that only co-operation between the various levels of power could avoid falling into further crisis.

A government meeting due to discuss the budget and future economic policy today has been postponed until next Thursday. The Interfax news agency said that Mr Victor Chernomyrdin, the prime minister, had postponed it "in order to thoroughly study the president's speech and draw appropriate conclusions".

Bell-TCI merger is off

Continued from Page 1

clash between the chairmen of Bell Atlantic and TCI, Mr Ray Smith and Mr John Malone, had occurred or had any impact on the collapse of the deal. "This was not a case of John Malone trying to raise the price, or Ray Smith refusing to budge."

He also said the terms of the deal had been altered to reflect the drop in Bell Atlantic's share price over the past four months. Neither had there be any problems in discussions with the Justice Department about the anti-trust implications of the planned merger, the companies said.

However, the FCC's recommendation that cable TV rates be lowered by 7 per cent and that the reduction be applied to all types of cable TV systems, including TCI's most advanced services, apparently took the parties by surprise and killed the deal.

Analysts expressed scepticism that Bell Atlantic was caught by surprise by the FCC's actions, which had been widely anticipated.

However, Mr Cullen rejected as "ludicrous and absurd" the notion that the deal might have been temporarily called off to put pressure on the FCC to change its recommendations for rate decreases.

US exports

Continued from Page 1

found to be ineffective or to put US companies at severe competitive disadvantage. The number of products for which licences are needed will be vastly reduced and the licensing process will be simplified.

Under the current régime, the Commerce Department yesterday eased controls on numerous items, including relaxing the definition of supercomputers.

Countries on the Nuclear Non-proliferation Special Country List – Algeria, India, Iran, Iraq, Israel and others – will be allowed to buy more sophisticated digital computers.

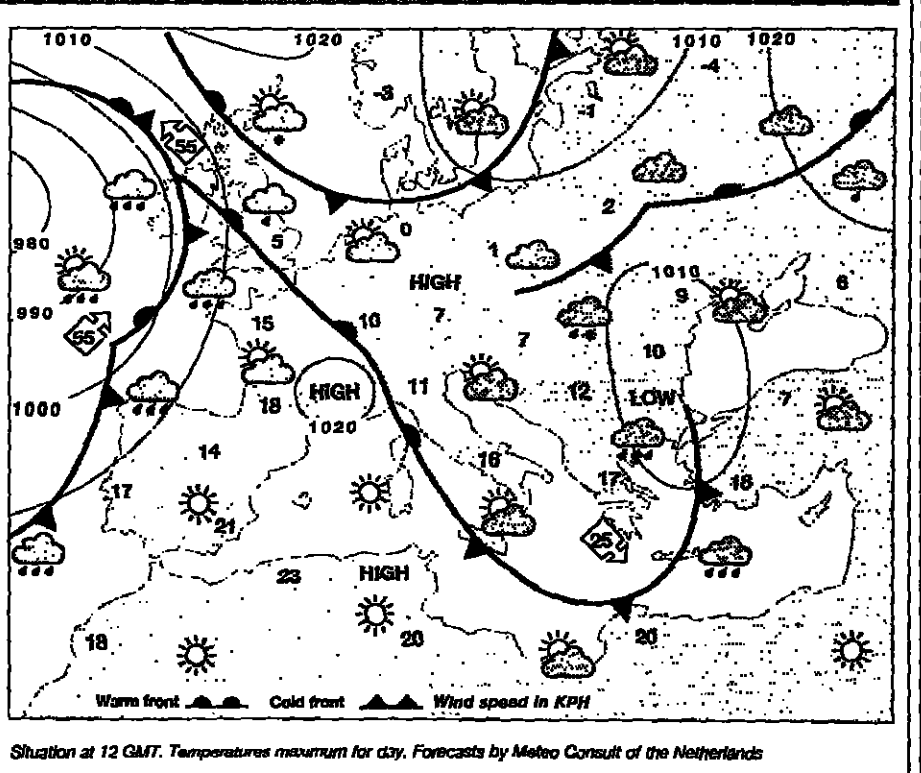
FT WEATHER GUIDE

Europe today

Scotland, the Benelux and northern Germany will be overcast and mainly dry with persistent fog. Mild air from the Atlantic will cause moderate rain in Ireland and England while western France and north-west Spain will have light rain. Eastern Europe will be cloudy with light rain or snow. Northern Europe will stay wintry with snow in coastal areas. Greece will have a few showers. More widespread showers are expected in Portugal, though south-east Spain and Italy will have sunny periods. The Alps will have light rain in the valleys and snow above 1,600m.

Five-day forecast

Ireland and England will be mild and cloudy with periods of rain. Southern Denmark and northern Scotland will have a strong easterly wind bringing rain, sleet or snow. Further north will stay very cold. France, Spain and Portugal will be unsettled while cloud and showers in Italy and Greece will decrease.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Celsius															
			Belfast	rain	6	Cardiff	rain	7	Frankfurt	rain	5	Malta	sun	19	Rio	shower	28
			Belgrade	cloudy	7	Chicago	snow	-2	Geneva	shower	8	Manchester	cloudy	5	Riyadh	sun	26
Abu Dhabi	sun	26	Berlin	cloudy	1	Cologne	cloudy	3	Gibraltar	sun	19	Manila	fair	32	Rome	fair	16
Accra	sun	33	Bermuda	cloudy	22	D' Salaam	thund	30	Glasgow	cloudy	4	Melbourne	cloudy	23	S. Frsco	cloudy	16
Algiers	sun	23	Bogota	cloudy	20	Dakar	sun	26	Hamburg	fog	1	Mexico City	fair	24	Seoul	cloudy	2
Amsterdam	fog	3	Bombay	sun	32	Dallas	fair	17	Helsinki	cloudy	-4	Miami	fair	27	Singapore	cloudy	32
Athens	fair	17	Brussels	cloudy	3	Delhi	sun	25	Hong Kong	rain	15	Milan	hazy	11	Stockholm	sun	-4
B. Aires	fair	27	Budapest	fair	8	Dubai	sun	26	Honolulu	fair	26	Montreal	cloudy	-8	Strasbourg	fair	10
B.ham	rain	4	C.hagen	fair	1	Dublin	rain	8	Istanbul	rain	10	Moscow	cloudy	-1	Sydney	fair	29
Bangkok	fair	35	Cairo	sun	21	Dubrovnik	shower	14	Jersey	rain	9	Munich	shower	8	Tangier	sun	18
Barcelona	sun	17	Cape Town	sun	28	Edinburgh	cloudy	5	Karachi	sun	30	Nairobi	fair	30	Tel Aviv	sun	16
Beijing	cloudy	5	Caracas	cloudy	26	Faro	fair	17	Kuwait	sun	21	Naples	fair	16	Tokyo	fair	9
									L. Angeles	fair	20	Nassau	shower	27	Toronto	snow	-7
									Las Palmas	sun	22	New York	cloudy	3	Tunis	sun	20
									Lima	cloudy	27	Nice	sun	15	Vancouver	rain	7
									Lisbon	shower	16	Nicosia	fair	17	Venice	hazy	10
									London	rain	6	Oslo	sun	-1	Vienna	fair	9
									Lux.bourg	cloudy	5	Paris	fair	11	Warsaw	cloudy	2
									Lyon	fair	11	Perth	shower	33	Washington	cloudy	7
									Madeira	shower	19	Prague	cloudy	4	Wellington	sun	22
									Madrid	fair	15	Rangoon	sun	33	Winnipeg	sun	-15
									Majorca	sun	19	Reykjavik	fair	-1	Zurich	rain	9

FINANCIAL TIMES

COMPANIES & MARKETS

Friday February 25 1994

IN BRIEF

Sony approached over Columbia

Sony, the Japanese electronics company which owns Columbia Pictures, confirmed it had been approached by several parties interested in buying a stake in its US film studio. Sony, which bought the Hollywood film studio for $3.4bn in 1989 has been burdened by the huge amount of debt it took on to fund the acquisition. Page 18

Stena rises 66% and plans issue
Stena Line, the world's largest ferry operator, yesterday unveiled a SKr273m ($37.1m) profit after financial items for 1993, up 66 per cent from last year. It also announced plans to raise up to SKr930m. Page 19

Losses for hedge and futures funds
US hedge and futures funds have made losses of up to 25 per cent so far this month following the recent turbulence in the world's financial markets. Page 19

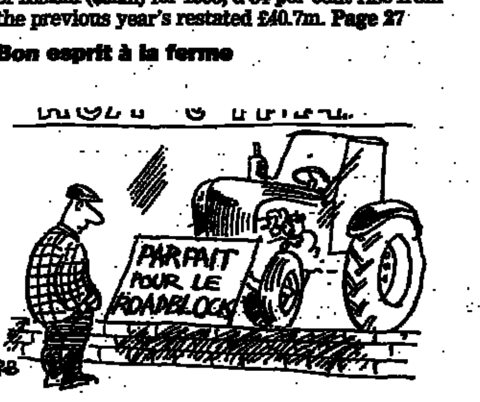
Fairfax strongly ahead
John Fairfax, the Australian newspaper group in which Mr Conrad Black, the Canadian media proprietor, holds a minority interest, announced a 50.2 per cent improvement in first-half profits. Page 21. Meanwhile, a strong final quarter helped The Telegraph, the UK newspaper, lift 1994 pre-tax profits to £60.2m ($89m) from £44.3m. Page 27; Hollinger earnings, Page 21

Royal Insurance back in the black
Royal Insurance, the UK composite insurer, is back in the black after three years of heavy losses. Royal's turnround hinged on an improvement in UK trading conditions. Page 24

Bass links up with Grolsch
Bass, the UK's largest brewer, is forming a joint venture to market and distribute Grolsch lager in Britain and Ireland. Bass will also have the exclusive licence to brew the Dutch brewer's lager at its Hampshire plant. Page 25

Provident increases 54%
Provident Financial, the UK personal loan and consumer finance group, reported pre-tax profits of £62.5m ($92m) for 1993, a 54 per cent rise from the previous year's restated £40.7m. Page 27

Bon esprit à la ferme



French farmers are showing a positive response to the new, post-Gatt, era of European agriculture. French banks report farmers were starting to invest in fertiliser, tractors and new buildings, reversing their cutbacks of 1992-93. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	1040	–	43
Hochtief	1125	–	38
Holzmann Ph	960	–	19
Linde	856	–	28
Mercedes Hld	808	–	22
Schering	1060.5	–	36.5
NEW YORK ($)			
Rises			
Bell Atlantic	54⅝	+	2
Falls			
Caterpillar	109⅜	–	1
DSC Comms	52¾	–	2¾
General Inst	44⅝	–	5⅞
General Motors	59	–	1
Scientific At	25⅝	–	3
PARIS (FFr)			
Falls			
CSF	1308	–	44
Cr Fonc France	1287	–	62
Elf Sanofi	1065	–	30
Eridania B-Say	988	–	25
Havas	446.6	–	12.9
Par Reescompte	544	–	16
TOKYO (Yen)			
Rises			
Alps Elec	1380	+	120
Amid Corp	485	+	20
Daimaru Inc	691	+	90
Nippon Soda	396	+	16
Showa Sangyo	583	+	33
Falls			
NOK Corp	719	–	26

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Carr's Milling	217	+	8
Clinton Cards	168	+	5
Computer People	140	+	5
Dickie (James)	103	+	5
Rodime	36	+	2
Falls			
Amstrad	59	–	7
Bibby (J)	71	–	11
Brit Aerospace	502	–	47
Brit Thornton	131	–	8
Dawson Intl	155	–	7
Euro Disney	378	–	15
Gold Greenlees	240	–	20
HSBC (75p shs)	941	–	54
Hartstone	74	–	5
London Finance	33½	–	5½
Merrydown	148	–	10
Micro Focus	978	–	20
Royal Ins	278	–	12
Schroders	1230	–	45
Shell Trans	699	–	23
Smith New Court	434	–	27
Stanhope Prop	41	–	3
Thorn EMI	1100	–	40
Tottenham Hspr	78	–	4

■ Full-year profits of £3.2bn ■ Fall in fourth quarter ■ Chemicals loss doubles

Shell warns on oil price outlook

By David Lascelles, Resources Editor

Oil prices are likely to remain at depressed levels for much of this year, according to Royal Dutch Shell, which yesterday announced a sharp decline in fourth-quarter results.

Profits on a replacement cost basis, excluding the effects of inventory changes, were down 18 per cent to £776m ($1.15bn). Part of the fall was caused by weak oil prices, restructuring charges and losses on chemicals also took their toll.

Mr John Jennings, chairman of Shell Transport and Trading, said the average oil price last year was $17 a barrel, or less than $10 in 1980 prices. Since then it had fallen to around $13.50. "It is very hard to see the price moving significantly outside the present trading range for some time," he warned. Shell expected the growth in demand for oil to rise 1½ to 2 per cent this year, but there was little sign that Opec would cut production.

The full-year result came to £3.23bn, just 3 per cent up on the previous year's £3.13bn. Income before taxation amounted to £5.8bn on sales of £84bn.

The bulk of earnings came from exploration and production which made £2bn, up from £1.86bn. But the trend was downwards towards the end of the year because of the falling oil price, although rising gas sales partly offset this.

There was much stronger growth in downstream activities, such as refining and marketing, where earnings were up 55 per cent at £1.09bn thanks largely to higher refining margins, particularly in Asia.

The big disappointment was chemicals which made an annual loss of £409m, almost double the previous year's deficit. "This segment of our business continues to face extremely difficult trading conditions," said Mr Jennings. However, he pointed out that the US chemicals business managed to get back into profit, and the underlying operating result of the segment had flattened out.

"One is tempted to hope that the worst is behind us," he added.

Shell has been applying drastic measures to its chemicals division: staffing has been cut by up to 30 per cent and several plants have been closed. The metals division was also hit by low prices, losing £35m, but coal returned to a profit of £32m.

Mr Jennings stressed that the group remained "enormously strong and well placed to take advantage of opportunities". He pointed out that the underlying result, stripped of special items and currency effects, showed a sharp upturn.

Although cautious about recovery prospects in the OECD countries, the group was encouraged by trends in Latin America and Asia. Production of oil and gas would rise as new projects came on stream.

Shell is proposing a final dividend of 13.8p, bringing the total to 24p, an increase of 9.6 per cent. Royal Dutch is raising its total dividend by 1.8 per cent to Fl18.60.

The result disappointed the market. Shell shares fell 23p to 699p, and Royal Dutch Fl5.7 to Fl202.7. Mr John Toalster, an analyst with Société Générale Strauss Turnbull, said Shell was out of favour, but the result showed the group's financial strength and resilience to oil price movements.

Lex, Page 16; Showa Shell plunges, Page 21

Spain may cut Repsol holding

By Tom Burns in Madrid

The Spanish government is considering making an international offering of Repsol shares that could reduce the public sector's shareholding in the energy and chemicals group from 41.1 per cent to close to 20 per cent.

A government official confirmed that a further reduction of public ownership of Repsol was being examined, but would not comment on the extent and timing of the share offer.

The offering has been provisionally scheduled for the second half of the year.

This will allow the markets to absorb a 10 per cent share offering, due within the next three months, by the state-owned electricity generator and distributor Endesa. This offering will reduce the level of the state's shareholding to below the current 60 per cent.

The government gave up majority control of Repsol last year when it placed 13 per cent of its equity on the market, reducing its shareholding from 54.1 per cent to 41.1 per cent.

That share offer realised Pta110bn ($783m): at current market prices a 20 per cent offering would be worth Pta276bn.

The share offer also has to await the acquisition by Gas Natural, the big domestic gas distributor 45 per cent-owned by Repsol, of Enagas, the fully state-owned monopoly supplier of industrial gas.

The takeover, which will create one of the biggest natural gas companies in Europe, is expected to be announced before the end of next month.

In advance of the acquisition, Enagas has placed its Pta300bn investment in a 1,265km pipeline linking Spain to the Algerian gas fields, via the Straits of Gibraltar and Morocco, in a separate company which will remain in state ownership.

The government is also revising a fixed tariff regime which under a protocol that expires next year keeps gas prices artificially low.

Repsol lifted 1993 consolidated profit by 28.3 per cent to Pta156.8bn, and net profit 11.4 per cent to Pta80.1bn, on revenues 16 per cent up at Pta2,216bn.

Slack demand for petroleum products and a drop in revenue from oil exploration and production were offset by the impact of the weaker peseta and higher refining margins.

British Gas in £1.65bn shake-up charge

By Robert Corzine in London

British Gas yesterday counted the cost of losing its residential monopoly when it announced a £1.65bn ($2.4bn) exceptional charge to pay for a corporate restructuring that will prepare it for competition.

The company said 5,000 more jobs would go on top of the 20,000 announced last year. The total number is equivalent to about a third of the workforce. But Mr Cedric Brown, chief executive, would not rule out additional job cuts in future, even though the restructuring would reduce the company's cost base by £600m.

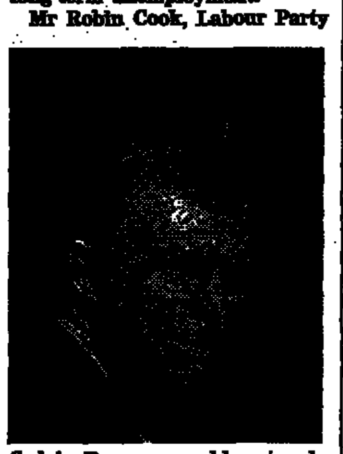
He said some of the restructuring costs could be traced to government decrees that British Gas separate its storage and transportation business from its trading arm.

But most of the restructuring was "management driven to get us into a form in which we can succeed in competitive markets".

Mr Richard Giordano, the executive chairman, appointed last year to help the company adopt a more competitive strategy, acknowledged that "a restructuring of this magnitude will be painful for some". But he noted that independent gas traders had captured 73 per cent of the firm contract market by the end of 1993, compared with 49 per cent a year earlier.

Unions reacted badly to the job cuts, and demanded that the government intervene to ensure that workers were not consigned to long-term unemployment.

Mr Robin Cook, Labour Party energy spokesman, called on British Gas not to make any compulsory redundancies.



Cedric Brown: would not rule out additional job cuts

The heavy restructuring charges resulted in a net loss on a historical cost basis for the fourth quarter of £894m against a £234 profit the previous year. It dragged the full-year figure into a loss of £285m, compared with a profit of £681m.

Full-year operating profits of £1.68bn, against from £1.66bn, before exceptional charges showed that the underlying business was stable, although competitors continued to increase their market share in those segments of the industry already open to competition.

The restructuring charge was generally welcomed by analysts, who said it showed British Gas was serious about cutting costs. But British Gas shares fell 11p to close at 328p.

Last December the UK government decided to abolish British Gas's monopoly in supplying 18m households in a programme which will be phased in over two years until 1998.

Lex, Page 16
Paying a high price, Page 24
London stocks, Page 29

Food and tobacco group moves to cut debt and increase war chest

RJR Nabisco to make surprise $2bn share issue

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group best known for its Camel cigarette brand, yesterday surprised the stock market by announcing a $2bn share issue that could signal the start of an acquisition spree.

It plans to offer 300m shares, called preferred equity redemption stock, which will pay a quarterly cash dividend for three years, then convert into ordinary shares on a one-for-one basis.

Mr Charles Harper, chairman and chief executive, said the main reason for the share issue was to cut debt from 44.5 per cent to 43 per cent of capitalisation in line with a five-year plan approved by the board last autumn.

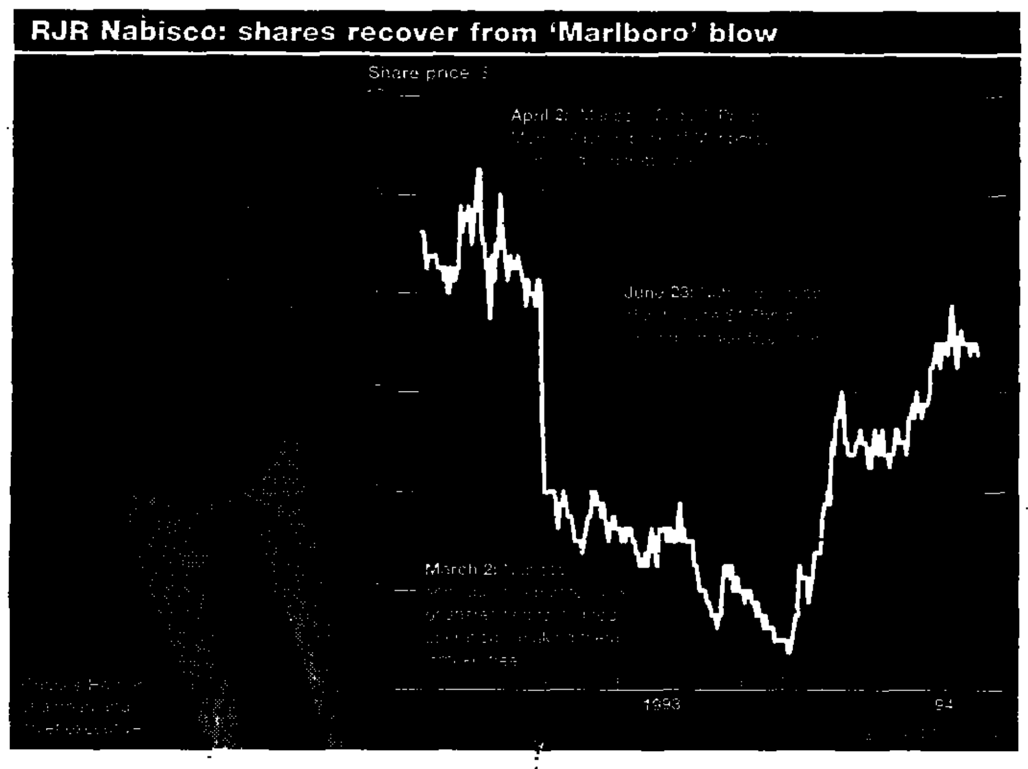
But only $500m of the proceeds would be applied specifically to debt reduction, Mr Harper said. The remaining $1.5bn could be used for one or more significant corporate transactions, such as a joint venture, merger, acquisition, divestiture, asset spin-off, or recapitalisation.

"We have no specific transaction on the table, but this war chest will help us look at things we couldn't look at before," Mr Harper said. "There are a number of interesting possibilities. We have been talking to people and will continue to talk to people, to find investment opportunities."

Mr Harper said RJR Nabisco would consider any acquisition that provided a 20 per cent return on equity and fell within its "area of general competence". This could include its growth areas of international food, and domestic food – but not the domestic tobacco market, which is in decline.

At the end of 1993, RJR Nabisco had $12.4bn of debt, largely resulting from the record-breaking $25bn leveraged buy-out of the company organised by Kohlberg Kravis Roberts, the Wall Street buy-out specialist, in 1989.

RJR Nabisco: shares recover from 'Marlboro' blow



Last summer – shortly after Philip Morris, the rival US tobacco and food group, prompted a damaging cigarette price war in the domestic market by cutting the price of its Marlboro cigarettes – RJR Nabisco attempted to raise $1.5bn by issuing "smoke free" shares pegged to the performance of its non-tobacco businesses.

The offer was dropped when not enough takers could be found. Wall Street thought RJR Nabisco was asking too much for the shares because it had sold substantial parts of its international food business to help pay off the buy-out debt, leaving it over-exposed to the highly competitive US market.

Yesterday's announcement – and RJR Nabisco's specific reference to using the funds for a recapitalisation – prompted speculation the company may revive the scheme, but RJR Nabisco said it had no plans to do so.

ICI rises 78% after drive to cut costs

Daniel Green reports on the UK chemicals group's first annual results since the Zeneca demerger

A weak pound and cost savings from restructuring pushed ICI's full-year pre-tax profits up 78 per cent to £290m. The figure excludes businesses sold or demerged last year, notably the drugs company Zeneca, and compares with £163m in 1992.

The first year-end figures since the Zeneca demerger were in line with expectations and were accompanied by a cautiously optimistic trading statement.

Turnover rose 12 per cent to £8.43bn, mainly because of favourable exchange rates. Mr Ronnie Hampel, chief executive, said restructuring efforts had enhanced pre-interest profits by a further £150m last year. Sterling's weakness added £75m.

After payments from Zeneca, ICI was left with year-end cash of almost £1.7bn. Debt was about £2.2bn and gearing 10.3 per cent.

"This places the company in a strong position to capitalise on opportunities," said Mr Ronnie Hampel, chief executive. ICI was considering buying parts of the troubled German industrial group Metallgesellschaft. There have been no direct talks between the companies, but they are linked through Ms Ellen Schneider-Lenne, an ICI board member, who also sits on the board of Deutsche Bank, which has a stake in Metallgesellschaft.

ICI's markets in continental Europe "remained difficult", said Sir Denys Henderson, chairman, but growth in Asia-Pacific, the US and UK should mean improvements in 1994.

Earnings per share were 20.4p against 3.2p and the company held its total dividend unchanged at 27.5p per share.

The industrial chemicals business, which accounted for 44 per cent of turnover, made a £106m trading profit compared with a £17m loss thanks to better volumes, lower fixed costs and exchange rate benefits.There were signs of improvement in PVC and the new plant in Taiwan making raw materials for polyester fibres was working at full capacity, said Mr Hampel.

All sectors of chemicals improved except for tioxide, which was hit by low prices.

The paints division, which represented one fifth of ICI's turnover, suffered from tough trading conditions in North America and Europe which cut trading profits by £12m to £108m.

Materials made an £18m profit after breaking even in 1992. It was boosted by restructuring benefits, better volumes and a contribution from the acrylics business acquired from US chemicals company Du Pont. Explosives saw profits fall to £52m from £59m.

Exceptional items included £106m for the loss-making US composites business Fiberite, the majority relating to goodwill, and a £31m provision covering the closure of Electroclor, a subsidiary in Argentina.

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Sony confirms interest shown in Columbia studio

By Michiyo Nakamoto in Tokyo

Sony, the Japanese electronics company which owns Columbia Pictures, confirmed yesterday there had been approaches by several parties interested in buying a stake in its US film studio.

However, it stressed it had not yet made a decision about any sale. "We are not soliciting such approaches, but we are open to those that we do receive," Mr Tsutomu Sugiyama, assistant general manager of corporate communications in Tokyo, said yesterday.

Sony, which bought the Hollywood film studio for $3.4bn in 1989, has been burdened by the huge amount of debt it took on to fund the Columbia acquisition.

Added to this, Sony's film business has been hit by the failure of the movie Last Action Hero, which is believed to have made a huge loss.

However, Mr Sugiyama said video and other income was still expected from the film, which features Arnold Schwarzenegger. Therefore, it was "premature to discuss such figures".

Industry analysts believe it would make commercial sense for Sony to link with an outside partner, particularly a cable-TV or telephone company in the US which could provide it with an entry into the multimedia business.

A partnership involving the sale of a stake in Columbia would relieve Sony of some of its nearly $10bn debt.

It could also have other advantages. Such a deal could provide Sony with cable-TV network operating expertise, an expanded outlet for its software assets and, eventually, a head start in the Japanese cable-TV and multimedia market, says S. G. Warburg, the securities company.

Although its overall performance has shown a slight pick-up, Sony is predicting that consolidated net income in the year to March 31, will fall 45 per cent to Y20bn ($190m).

Granada set to win bid battle for LWT

By David Wighton in London

Granada, the UK independent television company, looked set to win its £750m ($1.1bn) hostile bid for LWT yesterday after Mercury Asset Management accepted the offer for its 14.2 per cent stake.

The decision by Mercury, which has been widely seen as crucial to the outcome of the battle, means Granada goes into the final day of the bid with 42.2 per cent of LWT's shares.

Mr Gerry Robinson, Granada chief executive, said: "It is extremely unusual to have received such a high level of acceptances at this stage and we are confident of success." Although LWT put on a brave face, most independent observers dismissed its chances of remaining independent. "It has been on a knife-edge, but I think Granada have got it now," said one City analyst.

Apart from Mercury, Granada's final offer has gained the backing of a further 8 per cent of LWT's shares. It entered the bid with about 17.5 per cent, and received acceptances for its first offer from around 2.5 per cent.

LWT said: "We are very encouraged because it means that since the new bid was announced, they have been able to persuade only 7 per cent of the non-aligned shareholders. We are confident that the genuine LWT shareholders will see the case for independence and stay with us."

Clearly disappointed by Mercury's decision, LWT suggested it had been influenced by its 16 per cent stake in Granada, whose shares would be likely to fall if the bid fails.

However, Mercury has a policy of treating such stakes separately, as they will be spread between clients. LWT also said that by accepting before the final day, Mercury was trying to influence other shareholders.

It is understood that Mercury found the decision particularly difficult, but was swayed by the need for further consolidation among ITV companies.

Bankers fail to see trading room joke

Metallgesellschaft's supervisory board is on the defensive, writes **David Waller**

There is a joke told in the dealing rooms of Frankfurt which explains the debacle at Metallgesellschaft, the German metals, mining and industrial group which came to the brink of collapse last month.

Bankers, it is said, only read the documents pertaining to the companies where they are supervisory members when they are being driven to supervisory board meetings. This happens four times a year, and normally there is an hour or more to look through the papers on the journey from Frankfurt.

However, because Metallgesellschaft's head office is only 200 metres away from Deutsche Bank's own headquarters in the heart of Frankfurt, the bankers never had time to read the documents – hence it's really no surprise that the group nearly went bust.

The joke encapsulates the widely-held view that supervisory board members do not take their responsibilities for overseeing a company's affairs seriously, a view which Mr Ronaldo Schmitz, the Deutsche Bank director who is also chairman of the Metallgesellschaft supervisory board, did his utmost to rebut yesterday.

Addressing thousands of shareholders at Metallgesellschaft's extraordinary meeting, convened to approve the DM3.4bn ($2bn) rescue plan agreed with banks last month, Schmitz defended his own actions since taking over as chairman of the the supervisory board in March last year.

Criticism has focused on the fact that the supervisory board failed to prevent an explosion in oil futures business at Metallgesellschaft's US-based MG Corp subsidiary. The speculative business gave rise to losses of DM2.3bn, which drove the group to the brink of bankruptcy.

In a confident, forthright performance, Mr Schmitz laid the blame for the debacle with Mr Heinz Schimmelbusch, the group's former chief executive, and with Mr Meinhard Forster, the former finance director, both of whom were sacked at Mr Schmitz's initiative on December 17 last year.

Giving an unusual level of detail about the relationship between the supervisory board chairman and the management board, Mr Schmitz said he intensified supervision of Mr Schimmelbusch to extraordinary levels, as shown by his initial unwillingness to prolong his contract as chief executive. His scepticism was based on the group's poor operating performance, he explained.

Far from "going to sleep", as critics have alleged, Mr Schmitz portrayed himself as bringing a high degree of activism to the job. He said he held 11 one-to-one meetings with Mr Schimmelbusch during 1993, and that the group's weaknesses were systematically addressed at a further 19 meetings involving the supervisory board and other committees.

KPMG, the group's auditor, was appointed in the summer to examine the risks inherent in MG Corp's trading activities, and Mr Schmitz held talks with Mr Schimmelbusch as early as April 1993 about controlling, "including the question of risk management in trading".

Mr Schmitz said the first he had heard from Mr Schimmelbusch about liquidity problems at MG Corp was on December 3. Before then, "the information supplied by the management board was, as it later transpired, incomplete and untrue as regards to the risks from the oil transactions". The risks were clearly hidden from other members of the management board, Mr Schmitz said. "Evidently not all members [of the management board] were appraised of the situation," he said.

Even his argument that documents were falsified was not enough to win over Mr Herbert Hansen, a representative of small shareholders who spoke after Mr Schmitz had finished. He asked, incredulously, whether an even bigger disaster had to take place "before anything happened to a member of a supervisory board". He said Mr Schmitz and all the other representatives of capital (as opposed to labour) on the board should resign.

For Mr Schmitz, resignation is clearly out of the question. He maintained yesterday that the supervisory board had done more than could have been expected of it, under the circumstances, and that without its prompt and unprecedented action in ousting Mr Schimmelbusch and his boardroom colleagues, Metallgesellschaft would definitely have gone bankrupt.

Moreover, the "German system" of close relations between industry and banks had proved itself. "Without the stability and strength of the shareholder banks and major shareholders, Metallgesellschaft would be undergoing insolvency proceedings and criticism of the banks would then be even louder," Mr Schmitz claimed.

It was possible to learn something from Anglo-American best practice – in future, the Deutsche Bank would consider introducing a form of "audit committee" for the companies in which it has a major stake, he said. However, an audit committee would not have prevented the Metallgesellschaft case, Mr Schmitz insisted.

Net at Leu Holding surges 83% for year

By Ian Rodger in Zurich

Leu Holding, part of the CS Holding financial group, has reported consolidated net income of SFr190m ($131m) for 1993, an 83 per cent rise on 1992.

Leu, which is active internationally in private banking and in the Zurich area in commercial banking, said all subsidiaries contributed to the strong performance, due in part to healthy growth in earnings from commission business and securities trading.

Total assets at the end of last year were down 5 per cent, to SFr16.4bn, but shareholders' equity gained 9 per cent to SFr1.9bn. Return on equity rose from 6.1 per cent to 10.4 per cent.

CS Holding bought all the shares of Leu it did not already own in a public offer last December.

● Net income in 1993 at Alusuisse-Lonza, the Swiss aluminium, packaging and chemicals group, was slightly higher than the SFr80m indicated two weeks ago when a SFr400m rights issue was announced.

The group said yesterday its 1993 net income was SFr83m, 31 per cent lower than in 1992. It blamed the fall on dreadful conditions in the aluminium business.

The directors anticipate a "considerable" recovery this year, largely as a result of loss elimination from restructuring, and are proposing a maintained dividend.

Sales of the aluminium division were off 7.7 per cent to SFr2.7bn, and its operating income plunged 39.5 per cent to SFr95m.

Sharp advance at WestLB

By Quentin Peel in Bonn

Westdeutsche Landesbank, the largest of Germany's public sector banks, yesterday reported a 45 per cent increase in operating profit for 1993, to DM803m ($456.2m).

Net profit was up 53 per cent to DM334m compared with DM218.6m in 1992, according to figures released by the bank in Düsseldorf.

The main factors behind the sharp improvement were a 24 per cent increase in net interest income, up from DM2.47bn to DM3.08bn, and a 56.5 per cent increase in profits from trading, which increased to DM301m.

With total assets of DM320bn – up from DM274.2bn in 1992 – WestLB, house bank to the state of North Rhine-Westphalia, is Germany's third largest bank, and the only public sector institution able to compete directly with the big private-sector rivals.

The state government's shareholding amounts to 43 per cent, with savings banks controlling 33 per cent, and local authorities the rest.

WestLB said its risk provision was increased by 63 per cent, from DM596m to DM972m, reflecting not only a provision for the bank's lending operations, but also its assessment of the risks involved in its investment and equity portfolio.

Argentaria joins Banesto contest

By Tom Burns

Argentaria, the partially-privatised Spanish banking corporation, has become the latest contender to control Banesto, the ailing banking group to be auctioned among the domestic financial community late next month.

To prepare its bid, Argentaria yesterday hired the US bank Goldman Sachs to evaluate a rescue plan, drawn up by Banesto and by the Bank of Spain, which aims to recapitalise Banesto and absorb its estimated Pta605bn ($4.3bn) overvalued assets.

Banco Santander announced three weeks ago it was studying the wisdom of bidding for Banesto. Banco Bilbao Vizcaya (BBV) a rival big bank, is expected to publicly declare its interest at its AGM tomorrow.

Under the terms of the rescue plan, subject to the approval of Banesto's shareholders, a strategic domestic buyer will acquire a minimum of 35 per cent of Banesto's reconstituted share capital.

AGF to take control of Spanish insurer

By David White in Madrid and John Ridding in Paris

Assurances Generales de France, the French state-owned insurance group, has reached agreement to take majority control of loss-making Spanish insurer La Union y El Fenix.

The deal announced yesterday with Banesto, the beleaguered bank for which a rescue plan is being drawn up under the auspices of the Bank of Spain, came after about 10 months of negotiations.

The French group will take over Banesto's majority share of a joint holding company which in turn owns 52 per cent of the insurer.

The agreement is regarded as an important strategic move for AGF, which has been seeking to expand its presence in the Spanish market. It also removes an element of uncertainty ahead of the group's planned privatisation later this year.

Under the provisional agreement, shareholders in El Fenix and AGF Seguros, the French group's Spanish offshoot, will be asked to approve a merger through the exchange of one AGF Seguros share for seven El Fenix shares.

The nominal value of AGF shares will be reduced before the operation from Pta5,000 to Pta500, the same as El Fenix's.

These terms differ markedly from an original plan drawn up last year which envisaged a three-for-one share swap.

Correction

Ahold

The FT on Tuesday incorrectly reported that Ahold, the Dutch food retailer, will have a turnover in the US of Fl 7.25bn following a planned acquisition. The figure should be $7.25bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.02.94 – Pool purchase price £/MWh	Final Prices for Trading on 28.01.94 – Pool purchase price £/MWh	Final Prices for Trading on 28.01.94 – Pool selling price £/MWh
0030	16.65	17.85	17.85
0100	16.65	20.86	22.56
0130	16.70	22.50	24.20
0200	16.70	22.50	24.20
0230	16.66	22.50	24.20
0300	16.65	21.15	22.85
0330	16.65	20.95	22.65
0400	16.62	21.15	22.85
0430	16.52	20.95	22.65
0500	16.38	17.82	17.82
0530	16.54	17.76	17.76
0600	16.55	17.76	17.76
0630	16.80	17.82	17.82
0700	16.90	21.05	22.75
0730	19.24	21.33	23.03
0800	19.25	21.61	23.31
0830	19.27	22.19	23.89
0900	19.93	22.20	23.90
0930	19.37	22.70	24.40
1000	20.02	22.70	24.41
1030	20.01	22.70	24.40
1100	20.02	22.70	24.40
1130	20.03	22.70	24.40
1200	20.04	22.70	24.40
1230	19.99	22.69	24.40
1300	19.94	22.69	24.39
1330	19.88	22.19	23.89
1400	16.91	22.19	23.89
1430	16.68	18.03	18.03
1500	16.68	18.03	18.03
1530	16.68	18.01	18.01
1600	16.67	18.02	18.02
1630	16.86	21.70	23.41
1700	16.68	28.47	30.32
1730	16.92	38.86	40.77
1800	19.89	38.93	40.83
1830	22.05	28.37	30.17
1900	22.05	28.10	29.83
1930	21.94	25.45	27.16
2000	21.87	24.12	25.82
2030	18.43	22.33	24.03
2100	18.43	21.45	23.16
2130	18.43	21.45	23.16
2200	18.43	21.45	23.15
2230	16.60	21.45	23.15
2300	16.52	17.85	17.85
2330	16.40	17.78	17.78
2400	16.30	17.40	17.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Union Minière to sell US zinc operations for $200m

By Kenneth Gooding, Mining Correspondent

Savage Resources, which eight months ago was a little-known Australian exploration company selling at 30 cents a share, is to double in size by acquiring the US zinc operations of Union Minière, the Belgian metals group, for US$200m.

The Australian group is buying Union Zinc, which has five low-cost zinc mines and a 100,000 tonnes a year smelter employing 650 in Tennessee. The self-contained business accounts for 25 per cent of US zinc output.

This is the second disposal in a week by UM as part of its 1993 long-term plan to dispose of non-strategic assets to fund investments in its core business. Last week it sold its 56 per cent stake in Asturienne, the Belgian mining group.

UM had been planning to float Union Zinc on the American market but preferred the Savage offer because "it could be concluded immediately for a similar return".

Savage came to prominence because of its successful litigation against Western Mining of Australia over the Ernest Henry copper-gold deposit in Queensland. It then sold 51 per cent of Ernest Henry to MIM, another Australian resources group, for A$92.5m (US$67m).

Savage shares were suspended before the deal at A$1.55. It will fund the zinc purchase by a five-for-six renounceable rights issue to existing shareholders at A$1.25 a share and a placement of 50m shares at A$1.29. The placing will be made to institutional clients of Prudential Bache Securities (Australia) and Ord Minnet Securities. Both issues are fully underwritten.

UM and Savage will enter into a commercial relationship cemented by UM receiving options to acquire 15m Savage shares (less than 5 per cent of the increased capital). UM is a major cobalt producer. It will help Savage market zinc and germanium from the US operations.

Sealink behind surge at Stena Line

By Christopher Brown-Humes in Stockholm

Stena Line, the world's largest ferry operator, yesterday unveiled a SKr373m ($47.1m) profit after financial items for 1993, up 66 per cent from the year-earlier level.

It also announced plans to raise up to SKr980m through share and convertible issues to fund orders for two high-speed ferries. The vessels may be deployed in UK waters, including the Dover-Calais route where they would compete with the Channel Tunnel.

The group attributed its improved result to a strong performance from its UK operation, Stena Sealink, and lower financial costs.

These helped to offset lower profits from its Scandinavian operations which were hit by recession, the weak krona and higher household savings levels.

Stena Sealink benefited from higher volumes and cost-cutting and accounted for about half of group profit, said Mr Bo Lerenius, Stena Line chief executive.

The UK unit has staged a big recovery since 1991 when its losses dragged Stena Line deep into the red.

The group expects a further improvement in profits this year due to another good performance in the UK and the benefits of cost-cutting. It acknowledges the Channel Tunnel will have an impact on performance but is less worried about the prospect of a price war since Eurotunnel published its fares structure last month.

Turnover rose 13 per cent to SKr9.0bn, due to currency factors and volume growth. Passenger numbers were 2 per cent higher at 14.3m while freight units rose 7 per cent to 840,000.

A SKr1 per share dividend is proposed, the company's first pay-out since 1990.

The company hopes to place orders for two 40-knot catamarans, which can carry 1,500 passengers each, before June.

Hedge funds lick forex wounds

Patrick Harverson and Sara Webb on a sudden change in fortune

US hedge and futures funds have made losses of up to 25 per cent so far this month following the recent turbulence in the world's financial markets.

Tass Management, which tracks over 600 funds, mainly in the US, said the losses were primarily due to the unexpected moves in the yen/dollar exchange rate in the middle of the month and the fall in European government bond markets.

Hedge funds are private investment pools which borrow huge sums of money to trade securities and currencies in financial markets. They are often managed very aggressively and can be highly geared. In the UK government bond market, the larger hedge funds typically trade as much as 10,000 futures contracts, equivalent to £500m nominal.

Some of the largest and best known funds are managed by investment gurus such as Mr George Soros, Mr Michael Steinhardt and Mr Julian Robertson, and in recent years have built up an impressive record of above-average returns for investors.

Mr Soros's Quantum Fund was said by one industry source to have lost up to 14 per cent of its value on February 14 as a result of the yen/dollar exchange rate move. Mr Stanley Druckenmiller, the fund manager, was quoted earlier this week saying the fund management group lost about $600m that day.

In the last week, European government bonds have seen sharp falls, driven by activity in the futures markets, with traders reporting a tidal wave of selling by US hedge funds.

Rumours circulated that some hedge funds had stopped trading temporarily as they exceeded permitted losses. One hedge fund manager said he had received a bank telex warning that up to 18 hedge funds had stopped operating, but added that these were small funds rather than household names.

"They're like mushrooms, they're always springing up all over the place, so it wouldn't be surprising if some of them did stop trading," said a gilt trader at a US house.

The problems of the past few weeks contrast markedly with last year when the average gross return for US hedge funds was 27.26 per cent, according to Miss Lee Hennessee, of Hedge Fund Select, which is part of Republic New York Securities and tracks over 800 funds.

The biggest "macro" funds, those designed to profit from changes in global economics, particularly changes based on major interest rate moves, fared even better, showing a gross return of 53 per cent last year.

George Soros, whose group lost $600m in one day

This year, however, the big hedge funds have been caught out by the rise in the Japanese yen against the dollar and the drop in European bond prices.

Many of the big funds had built up sizeable long positions in Europe, especially in high-yielding bonds from countries such as Sweden, Spain, and Italy, as well as in the UK government bond market.

At the same time, some funds, notably Quantum, had shorted the yen against the dollar in anticipation of a gradual strengthening in the US currency against a yen undermined by the weak Japanese economy.

The hedge funds' reversal of fortune could well force them to adopt a more cautious strategy in the markets in future, with traders expecting the funds to invest smaller amounts, at least until some of the losses have been regained, and to refocus on risk control.

"Hedge funds should be hedged to reduce the downside risk: the problem is that a lot of them aren't," says one hedge fund manager who claims to have reduced his losses to 1 per cent in February by hedging.

"Now investors are saying they don't want to be highly geared, and they are happy with an upside of between 15 and 20 per cent instead."

"Investors in hedge funds will have to start learning that these returns of 70 per cent and 100 per cent are gone for the foreseeable future," said one US hedge fund trader. "The massive macro opportunities are not there anymore. The hedge fund industry has become a crowded field and a lot of people are chasing the same ideas."

Net interest boosts Atlas Copco

By Hugh Carnegy in Stockholm

Atlas Copco, the Swedish industrial components group, has reported a 30 per cent rise in profits after financial items to SKr1.32bn ($166m) for 1993.

But the improvement was due in large part to net interest income, with operating profits after depreciation ahead only 5 per cent at SKr1.18bn. The weaker underlying earnings left Atlas B shares SKr13 lower at SKr432.

Group sales were up 18 per cent at SKr18.9bn but with 95 per cent of sales outside Sweden, Atlas said the rise was mainly due to the weakness of the Swedish krona, which fell by more than 20 per cent in value over the year.

It said demand was weak in Europe, which accounts for more than 50 per cent of sales, and was expected to remain so in central and southern Europe this year. But the trend outside Europe was positive, orders overall were up 21 per cent and Atlas said it expected profits in 1994 to be ahead of 1993.

The dividend was set at SKr9.00 per share, up SKr1.00 from the SKr8.00 paid for 1992. Atlas said it proposed a five-for-one share split, changing the par value from SKr25.00 to SKr5.00.

A swing to net interest income of SKr88m in 1993 from a loss of SKr118m in 1992 was attributed to favourable interest rate differentials on currency hedging, lower borrowings and lower interest rates.

■ Securum, the state-owned Swedish company set up to take on the bad assets of Nordbanken, has reported a pre-tax loss of SKr16.2bn for 1993, its first year in existence.

The result illustrates the extent of the problems piled up by state-owned Nordbanken before the government removed loans and commitments worth SKr67bn – mostly in Swedish and European property – into Securum.

Securum said its 1993 loss included credit losses of SKr14.2bn and net financial expenses of SKr1.8bn.

Iscor 74% ahead at half time

By Matthew Curtin in Johannesburg

Iscor, South Africa's iron, steel and coal producer, yesterday reported a 74 per cent rise in pre-tax profit for the half-year ended December.

Pre-tax profit surged to R223m ($63m) from R128m. Higher sales, up at R4.77bn from R4.29bn, good cost containment which pushed operating margins to 7.7 per cent from 6.1 per cent, and a decline in finance charges to R157m from R179m were responsible for the improvement.

Distributable profit rose to R215m from R125m, equivalent to earnings of 11.5 cents against 6.7 cents a share. The company is paying its dividend in shares, compared with a 2 cents cash interim dividend last year.

Mr Hans Smith, managing director, said the group's main achievement was to show positive cash-flow for the first time in four years. Net borrowings were reduced to R1.93bn at December 31 from R2.06bn six months earlier. Iscor planned to cut debt by nearly 50 per cent by year-end.

Milan SE expects sharp growth

By Haig Simonian in Milan

The Milan stock exchange expects sharp growth in the next four years, with an additional 100 company listings and a 50 per cent surge in market value, according to Mr Attilio Ventura, chairman of the stock exchange council.

The forecast comes during a buoyant period for the market, which has seen daily turnover this year regularly exceed L1,000bn ($595m), a level virtually unknown a few months ago.

The upbeat prediction follows legislative changes, modernising and simplifying trading, and the international fall in interest rates, which has redirected Italian domestic savings into shares from bonds.

The market's confidence has been boosted by privatisation, which has created a pool of new shareholders. About 200,000 investors bought into Credito Italiano, while more than 370,000 applications were received for stock in the IMI financial services group.

"The success of privatisation could tempt more companies to go public," said Mr Luigi Abete, chairman of the Confindustria employers' federation. Confindustria and the Milan stock market have set up a committee to persuade more companies to go public.

However, Mr Abete warned Italy's tax rules and the high cost of flotation remained powerful obstacles. Moreover, "the market will only accept companies which show they have a clear development programme," said Mr Ventura.

Fiscal factors and the deep-seated reluctance of many entrepreneurs to go public largely explain why only 220 companies are quoted in Milan, a fraction of the number in many other big European markets.

"In terms of capitalisation, we rank either ninth or 10th in the world, whereas the Italian economy is the world's fifth or sixth biggest," said Mr Ventura. "Clearly, the bourse has to make up ground."

Nissan sees break-even in Europe next year

Nissan Motor's European operations should recover and break even in 1995, Reuter reports from Tokyo.

"We saw red figures in 1993, and 1994 will be extremely difficult," said Mr Tadahiro Shirai, president, but in 1995 European operations should be out of the red, he added.

Mr Shirai also said European demand had likely hit bottom in 1993 at around 12.5m vehicles. "In 1994, we do not see a significant increase, maybe 1 or 2 per cent." But from 1995 demand should increase by about 5 per cent next year over this year's marginal gain.

Strong last term gives AIG record year with $1.94bn

By Patrick Harverson in New York

American International Group, the US property/casualty insurer, yesterday unveiled an 11 per cent increase in fourth-quarter profits to $510.2m, or $1.61 a share.

The strong final quarter lifted full-year earnings to a record $1.94bn, or $6.11. In 1992, the group earned $1.66bn, or $5.20.

The figures include net realised capital gains and the impact of accounting changes, which were reported as $11.5m for the quarter and $89m for the year.

AIG said group revenues rose 10.2 per cent in the quarter to $5.36bn, and 9.5 per cent in the year to $20.13bn.

Mr Maurice Greenberg, chairman, said the strong quarterly and annual results reflected the increase in operating income reported by all of AIG's three main businesses – general insurance, life insurance and financial services.

He singled out the performance of the group's Asian operations, particularly its new life and non-life insurance operations in China, which he said had an "outstanding" debut.

The annual results were boosted by significantly lower catastrophe losses last year than in 1992 when the insurance industry paid out large sums following Hurricane Andrew and other big disasters. Catastrophe losses for 1993 were $69.5m, down from $191.7m the year before.

One positive side-effect of the 1992 disasters was that it led to a strengthening in the reinsurance market in the form of higher premiums and new capital. Also, AIG said insurance rates had risen in several overseas markets.

General insurance premiums written by the group climbed almost 10 per cent to more than $10bn last year, which helped lift operating income from the general insurance business 28 per cent to $1.35bn. In the quarter, income climbed 21 per cent to $356.4m.

AIG's financial services group prospered, with operating income rising 12.6 per cent to $390m.

Harcourt results disappoint investors

By Frank McGurty in New York

Harcourt General, the US publishing, retailing and insurance group, yesterday posted a 29 per cent increase in operating earnings in its first quarter, thanks to improved performances by all its main businesses.

However, net earnings of $19.9m, or 25 cents a share, fell well short of Wall Street's expectations of about 30 cents a share.

On the announcement, the stock was marked down $1⅝ to $35⅞.

The 1994 results compared with net earnings of $31.8m, or 40 cents, in the three months to January 31 1993.

When earnings from Harcourt's discounted cinema operations are excluded from the year-earlier figures, profits were $26.8m, or 34 cents, including a one-time pre-tax gain of $20.6m related to a legal settlement.

Consolidated revenues from continuing operations increased 3.1 per cent to $832m, from $806m.

Most of the growth came from Harcourt's specialty retailing operations, which include a 65 per cent stake in the Neiman Marcus department store group. Sales by the division – Harcourt's largest – climbed 5.8 per cent to $507m, from $479m a year earlier.

By contrast, revenues from its insurance arm fell to $128m, against $138m a year ago.

Failed deal shows gaps in US telecoms

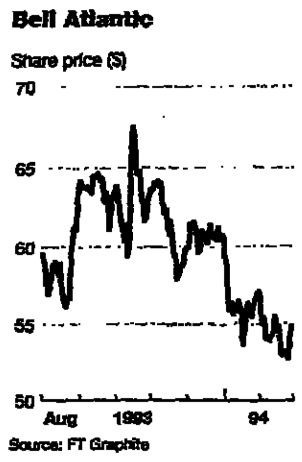
Louise Kehoe examines the collapse of talks between Bell Atlantic and TCI

When the proposed merger failed between two of the most ambitious companies in the US communications sector, Bell Atlantic and Tele-Communications (TCI), it reflected a serious lag between regulatory changes and the restructuring of the industry.

Bell Atlantic, the regional telephone company serving the the middle part of America's eastern seaboard, and TCI, the largest US cable television company, would have formed a formidable force in multi-media communications.

But on Wednesday night, the companies announced they were abandoning their merger, worth more than $20bn. As Mr Raymond Smith, chairman and chief executive of Bell Atlantic, put it, "The unsettled regulatory climate made it too difficult for the parties to value the future today."

Earlier in the week, the Federal Communications Commission (FCC) announced regulations to force cable television operators to lower their prices. It was prompted by 1992 legislation addressing concerns that the cable industry was abusing local monopolies and raising its prices excessively. The planned Bell Atlantic-TCI merger was built on the premise that, in the not-too-distant future, such monopolies and those of regional telephone companies, will disappear.



The FCC's move to lower cable TV prices appears to have been the last straw in the protracted negotiations between Bell Atlantic and TCI. The companies had twice extended the deadline for the completion of their merger talks, which began last October. Mr Smith said they had finally resolved their differences and were close to reaching a definitive agreement; but the FCC's actions "made reaching a final agreement on the transaction impossible".

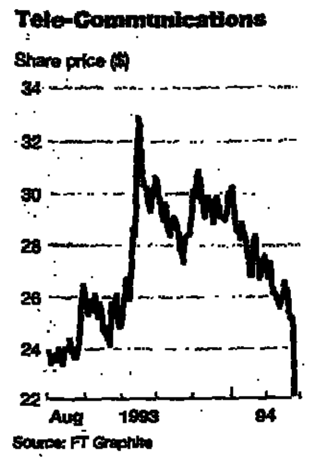
TCI issued a statement strongly criticising the FCC's action as "unwarranted, excessively severe, and harmful both to the national telecommunications objectives promoted by the Clinton administration and, ultimately, to the interests of consumers".

The cable TV company said it will join others in legal challenges to the FCC actions. It also announced it will suspend $500m, or half of its planned capital spending for 1994, pending further clarification of the FCC's regulations.

Bell Atlantic said the FCC action, requiring US cable TV companies to lower prices for basic services by 7 per cent, must have raised questions about the valuation placed on TCI in the talks.

Mr James Cullen, president of Bell Atlantic, said: "The FCC announcement reduced the price to the point where TCI did not feel it could recommend the transaction to its shareholders."

However, Mr Reed Hundt, FCC chairman, rejected suggestions that the agency's action had undermined the deal. He said the price cut "did not in any way make the future of the cable industry more unsettled".



Another factor in the deal's collapse may have been weakness in Bell Atlantic's share price, which fell from $67 in mid-October when the deal was announced to close at $53¼ on Wednesday, before the companies announced the abortion of the merger.

Whatever the reasons, the failure of the Bell Atlantic-TCI deal seems sure to cool the excitement surrounding the "convergence" of the US communications, television, computer and entertainment industries to create nationwide "information superhighways".

The Bell Atlantic-TCI merger, creating what Mr Smith had boasted would be "a model for communications companies in the next century", had become the symbol of a new era of unregulated communications. Such an environment would free technology companies to create multimedia communications services, ranging from desktop video conferencing to interactive television.

The Clinton administration has made the creation of such advanced communication services an important element of its economic policy, with Vice-President Al Gore regularly promoting the social and economic benefits of the "information superhighway". Only a few weeks ago, the Vice-President assured industry leaders that "this administration will not let existing regulatory structures impede or distort the evolution of the communications industry".

The collapse of the Bell Atlantic-TCI deal is therefore likely to reverberate in Washington, putting increased pressure on the administration to come up with an overdue legislative package to revamp communications regulations.

Catalogue sales push Penney ahead

By Richard Tomkins in New York

A surge in catalogue sales helped J C Penney, the US department store group, report a 17 per cent increase in net income to $437m from $375m for the fourth quarter to January.

J C Penney, the biggest catalogue retailer in the US, saw a 23 per cent increase in catalogue sales for the quarter, largely because the rival Sears group pulled out of the business last year.

The profits rise in this quarter helped counter a decline in gross margins at the department stores, which the group attributed to an intensely competitive retail environment during the Christmas season.

Turnover for the quarter rose to $6.32bn from $6.09bn while cost cutting reduced selling, general and administrative expenses from $1.56bn to $1.49bn. Fully-diluted earnings per share rose from $1.42 to $1.64.

For the full year, net income rose by 21 per cent to $940m from $777m, on turnover up from $18.01bn to $18.98bn. Earnings per share were $3.53, against $2.95 last time.

Mr William Howell, chairman, said the group's collection of own-label brands coupled with a good collection of national brands maximised its ability to offer value to customers. Sales so far in 1994 indicated a healthy year, he said.

Imperial Life posts 56% rise

Imperial Life Assurance Co of Canada, controlled by the Desjardin financial services group, improved 1993 net profit to C$28.8m (US$21.5m) from C$18.4m in 1992, reflecting stronger contributions from Canada and Britain, writes Robert Gibbens in Montreal. Worldwide premium income totalled C$685m, down 5 per cent mainly because of lower individual annuity sales in Canada and lower sales volumes in the UK.

US court ruling threatens PC sales

By Louise Kehoe in San Francisco

The US personal computer industry was yesterday bracing itself for potentially serious disruption of its sales, following a court verdict that Microsoft's widely-used personal computer operating system software infringes two patents held by Stac Electronics, a California software company.

A Los Angeles jury found on Wednesday that Microsoft has incorporated data compression features in the latest versions of its MS-DOS operating system that infringe Stac's patents, and ordered Microsoft to pay $120m in compensatory damages. Microsoft is to take a charge in the current quarter, reducing earnings by 26 cents per share.

The court was yesterday considering whether to issue an injunction ordering Microsoft to halt sales of MS-DOS 6.0 and 6.2, the current versions of the operating system that are pre-loaded on most PCs. If granted, the injunction could temporarily halt shipments of personal computers in the US.

Microsoft said it would issue new versions that do not include the data compression features later this week.

"We do not anticipate any material disruption of the supply of MS-DOS products," said Bill Neukom, Microsoft senior vice-president of law and corporate affairs, "but we are not saying that this will not cause disruption in the PC industry."

Microsoft officials acknowledged they were assuming that personal computers already shipped to retailers would not be affected. However, Mr Gary Clow, president and chief executive of Stac Electronics, said he understood the award was on the basis of shipments up to the end of January.

If Mr Clow is correct, PC retailers could be forced to return PCs to manufacturers to replace the software. If Microsoft's view prevails, PC manufacturers will have to swap the software they are installing in PCs. In either case, PC sales could be interrupted.

Stac said it will seek "the maximum relief available under the law" in its request for an injunction. However, Mr Clow said the company had no intention of disrupting PC shipments. "Our beef is with Microsoft, not the PC makers," said Mr Clow.

Stac Electronics' data compression technology doubles the amount of data that can be stored on a personal computer hard disk file. Microsoft initially sought to license Stac's technology.

Mr Clow said he held licensing negotiations with Microsoft in 1992, but the companies had been unable to reach agreement. Subsequently, Microsoft introduced MS-DOS 6.0, a new version of its PC operating system that includes data compression technology.

While the court ruled that Microsoft's data compression method infringes Stac's patents, the jury said the infringement was not "wilful".

Microsoft plans to ask the judge to overturn the ruling and, if he refuses, will appeal, the company said.

The court also awarded damages of $13.6m to Microsoft, for Stac's use of Microsoft trade secrets.

Three-month income rises at Canadian bank

Strong growth in interest income and lower loan-loss provisions propelled first-quarter earnings at Toronto-Dominion Bank to their highest level since early 1990, writes Bernard Simon in Toronto.

The bank, Canada's fifth largest, reported a continuing drop in non-performing loans, but said its real-estate and forestry portfolios remain a concern. Net income climbed to C$168m (US$125m), or 52 cents a share, in the three months to January 31, from C$1m, or a loss of two cents, a year earlier.

Return on equity was 13.5 per cent, against a negative 0.7 per cent. Total assets grew from C$80.1bn to C$92.4bn.

Loan-loss reserves dipped to C$113m from C$150m.

Rise in advertising and sales lifts Fairfax 50%

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper group in which Mr Conrad Black, the Canadian media proprietor, holds a minority interest, yesterday announced a 50.2 per cent improvement in first-half profits after tax but before abnormals, at A$54.2m (US$38.9m).

The advance at the pre-interest operating level was slightly more modest – a 15.2 per cent rise to A$101.6m. This, said Fairfax, reflected "improving economic conditions and reduced costs". Operating revenues were up by 7.2 per cent as a result of increased advertising rates and volumes, and increases in some cover prices.

Overall, Fairfax – which takes in the Sydney Morning Herald, The [Melbourne] Age and The Australian Financial Review – saw advertising revenue increase by about 6 per cent and circulation revenue by some 10 per cent. Operating costs for the half-year were up by 4.7 per cent due to promotional initiatives and the increased activity.

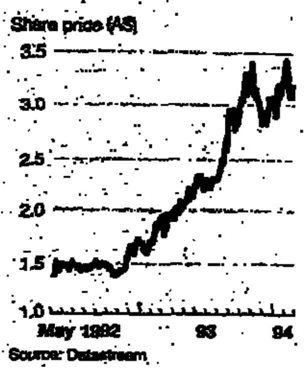
The company said that circulation figures for the Saturday editions of The Age and Herald were strong and that AFR circulation had also increased. But it acknowledged that weekday circulations of The Age and Herald had fallen.

Fairfax's net profits total was helped by a significant fall in interest charges – down from A$27.1m in the first half of 1992-93 to A$19.6m in the most recent period. The company also enjoyed a A$28m abnormal income tax benefit, bringing bottom-line profits to A$82.1m, compared with A$36m last time.

● An Australian senate inquiry looking into foreign ownership in the print media is being extended to give the committee time to question Mr Black. The committee is examining reasons behind the Labor government's decision to allow Mr Black's Tourang consortium to lift its interest in Fairfax from 15 to 25 per cent.

See UK Companies

John Fairfax



Source: Datastream

Nine Network buys films stake

By Nikki Tait

Mr Kerry Packer's Nine Network Australia, which has a 14.97 per cent stake in John Fairfax, is buying a minority interest in Regency Enterprises, the Hollywood film production and distribution company which produced and financed films such as *JFK* and *Sommersby* and which has ties with Time Warner.

The Australian TV and radio company is buying out the interests in Regency which are currently held by an existing minority investor, Dr Bodo Scriba, but will also subscribe some additional capital to help fund Regency's expansion plans.

The total cost of Nine's investment is expected to be around A$165m (US$118.70m), although the money will be committed in two tranches.

The final details of the transaction have yet to be negotiated and the deal is due to be completed within two months.

Nine Network is likely to end up with around 30 per cent of Regency. The remainder will be held by Mr Arnon Milchan, who founded Regency in 1991, when a long-term financing and distribution arrangement with Time Warner, the entertainment group, was set up.

Yesterday, in Sydney, Mr Bruce Gyngell, Nine Network chairman, said that there should be "strategic" benefits from the investment, and that it would have "the added attraction of bringing us even closer to Time Warner".

Last year, Nine signed a new three-year programming contract with Time Warner.

Showa Shell plunges on forex losses

Emiko Terazono in Tokyo

Showa Shell Sekiyu, the Japanese oil refiner and distributor affiliated with Royal Dutch Shell, reported a 54.2 per cent fall in after-tax profits for the year to last December after writing off its losses on foreign exchange futures trading.

The company lost Y115.3bn ($1.09bn) from $4.6bn worth of dollar futures contracts, part of which was used to pay for crude oil and other imports.

After-tax profits totalled Y9bn as Showa Shell posted extraordinary losses of Y80.1bn, part of which it covered with extraordinary gains of Y65bn from stock and land sales.

In spite of the profit fall, the company will maintain its annual dividend of Y8 per share. Pre-tax profits fell 3.6 per cent to Y36.6bn due to a rise in distribution costs. Sales fell 7.5 per cent to Y1,447.7bn, but operating profits rose 24.5 per cent to Y61.4bn thanks to strong sales of its high-margin petrol and a change in accounting methods for depreciation costs.

For the current year to December, Showa Shell expects to write off Y43bn out of the remaining unrealised losses on its dollar futures holdings. The company is projecting a 6.7 per cent fall in sales to Y1,350bn and a 23.6 per cent plunge in pre-tax profits to Y28bn. After-tax profits are expected to rise 43.9 per cent to Y13bn.

Conrad Black

Setback for Hollinger earnings

By Bernard Simon in Toronto

Hollinger, the international newspaper holding company controlled by Mr Conrad Black, suffered a two-thirds fall in earnings last year, despite an 8 per cent rise in the contribution from its flagship, the UK-based Telegraph group.

The drop was largely due to higher interest expenses and unusual items, mostly related to Hollinger's acquisition of a 9.3 per cent interest in Southam, Canada's biggest daily newspaper chain. The Telegraph also has a 9.3 per cent stake in Southam.

Hollinger's operating earnings were virtually unchanged before taking the unusual items and the cost of the Southam investment into account. Net earnings dipped to C$25.3m (US$18.80m), or 31 cents a share, from C$74m, or C$1.14, in 1992.

Revenues advanced to C$888m from C$870m. Although the 68 per cent-owned Telegraph reported an 18 per cent rise in operating earnings, the impact on Hollinger's income was dampened by the weaker pound against the Canadian dollar.

Operating results improved in all businesses except for Canadian publications. Hollinger recently announced plans to spin off part of its wholly-owned Canadian and US subsidiaries to the public.

The net cost of the Southam investment is estimated at C$6.5m in 1994 (assuming constant interest rates and an unchanged dividend), down from C$18.2m last year.

TNT bounces back with A$25m

By Nikki Tait

TNT, the Australian transportation group which saw boardroom upheavals last year and has been pruning its activities in an effort to reduce heavy borrowings, yesterday reported a net operating profit before abnormal items of A$25.5m (US$18.3m) in the six months to end-1993. The equity-consolidated figure compares with a loss of A$9.51m in the same period of 1992.

After abnormal items, the net equity-accounted profit stood at A$22.3m, a sharp improvement on last time's A$74.5m loss. Revenues were A$2.85bn, compared with A$2.8bn.

TNT said that the return to profit was largely due to better trading results from Ansett, the Australian airline which it owns jointly with Mr Rupert Murdoch's News Corporation, and to the general restructuring of the group's business, which has involved a significant disposal programme.

It pointed out that TNT benefited from some non-recurring items in the first half of 1992, due to the involvement of its event merchandising arm in Expo '92 and the 1992 Olympic Games, and the underlying improvement in the most recent six months was more marked still.

Despite the overall advance, the group's core transportation operations still had a mixed first half. The Australian business showed a "significant" improvement, and the Canadian business continued to turn round. The domestic freight business in the UK was also strong, while TNT Germany improved profits.

But other parts of continental Europe were more difficult. The Spanish operations "performed below expectations in a severely depressed economy". In Italy, TNT Traco reported profits "marginally lower" than in the previous period, while in France the TNT Chronoservice business remained in the red, although losses were reduced.

TNT's share of net profits before abnormal items from Ansett Transport Industries rose handsomely, to A$38.5m from A$3.79m. But its 50 per cent interest in GD Express Worldwide, the international express delivery operation, delivered a loss of A$24.6m against a loss of A$22.6m last time. TNT said that GDEW's operating loss was expected, and that the target of profits by 1995 was still on course.

Interest expenses in the first half fell to A$41.3m from A$46.8m, and the company estimated that its net debt to equity ratio had improved from 2.18 at end-June to 1.08 at end-December. Looking ahead, it added that the improvement in operating performance was expected to continue, but that second-half results would be affected by seasonal factors, especially in the third quarter.

Renison puts blame for tumble into red on weak prices and demand

By Nikki Tait

Renison Goldfields, the Australian mining company which is 40 per cent-owned by Britain's Hanson group, yesterday reported a net loss of A$15.3m (US$11m) in the six months to end-December, down from a A$10.4m profit in the corresponding period of 1992-3. Operating revenues were A$276.4m, compared with A$330.9m a year earlier.

The move into the red was blamed on weak prices and demand. Renison said that tin prices were more than 20 per cent lower than a year ago while copper was down by 15 per cent, and that prices for titanium dioxide feedstock products were also depressed.

The effect of these significantly lower prices was partially offset by strengthening zircon and gold prices, and the Namara open-cast coal mine made a A$6m profits contribution, meeting its contracted sales since the mine started up. But, although there were no abnormals charges in either first-half period, the latest results do include A$3.8m of restructuring costs, related to both the exploration division, which was overhauled during the first half, and the head office.

Renison said yesterday that the changes to the exploration side would mean more effort being expended on exploring for gold, base metals and mineral sands in specific regions of Australia. Offshore activities would "concentrate on the identification of advanced exploration targets". Its Canberra exploration office is being closed and the division will be managed from Perth.

Both the mineral sands and the tin interests were loss-making in the first half as was the Mount Lyell copper mine. On the gold front, the group's interest in the Porgera gold mine in Papua New Guinea – which was reduced from 30 per cent to 25 per cent at end-February 1993 – contributed A$35.7m, compared with A$40m last time.

● Mr Tony Cotton, the Hanson director who was appointed deputy chairman of Renison in October, will become chairman of the company on March 1. He takes over from Mr Max Roberts, who is retiring.

Siam Cement falls 20% to Bt3bn

By William Barnes in Bangkok

Siam Cement, the Thai construction materials company and the country's biggest conglomerate, reported a 20 per cent fall in consolidated net profits for 1993 to Bt3.16bn ($124m), from Bt3.98bn a year earlier.

Strong end-of-year demand for cement helped fourth-quarter profits climb 64 per cent to Bt584m.

Analysts said the drop in earnings should not obscure the company's general health which is buoyed by continued heavy domestic demand for cement.

The company's aggressive depreciation policy ensures that capital expenditure hits short-term profits; plant with a life of 30 years is typically depreciated within five years.

Mr George Morgan, head of research at brokers HG Asia in Bangkok, said he was expecting consolidated net profits of Bt4.10bn in 1994.

Subsidiaries Siam Guardian Glass and Siam Construction Steel continue to lose money.

● Thailand's number two cement producer Siam City Cement announced a 30 per cent rise in net profits for its parent company to Bt1.47bn from Bt1.13bn following a 56 per cent fall in fourth-quarter net profits.

Pasminco registers A$11m deficit

By Nikki Tait

Pasminco, the Australian zinc and lead producer, yesterday unveiled a loss of A$11.2m (US$8m), after tax but before abnormal items, in the six months to end-December. In the same period of the previous year, there was a A$4.7m loss.

Abnormal charges amounted to a further A$8.7m, and reflected redundancy costs of A$6.3m, plus a A$2.4m loss on the sale of certain UK assets to MIM Holdings. This left the group's bottom-line loss at A$19.9m, compared with A$6m a year earlier. Total revenue fell from A$789m to A$614.5m.

Pasminco said that the low level of metal prices, due to world oversupply, had caused the loss but also noted that "continued improvements in productivity and efficiency generated cost savings of A$42m pre-tax". Under the circumstances, it suggested that the loss this time compared favourably with the previous year's half-time result.

Pasminco says it hopes to improve on last time's full-year result, which showed a net loss before abnormals of A$43.2m.

The half-year figures benefited from a reduction in the group's interest charges – down from A$14.4m to A$10.9m, with borrowings declining by A$170m to A$351m, due to the sale of the UK assets and a share placement which raised A$88m.

Another sharp sell-off staged in hectic trading

By Conner Middelmann in London, Gillian Tett in Brussels and Frank McGurty in New York

European government bonds staged another sharp sell-off in hectic trading as traders reported panic selling, mainly in the futures markets.

UK gilts took the worst beating, falling by as much as three points in the afternoon, while most European markets slid by between one and two points at the long end.

"This sell-off is completely unwarranted on fundamental grounds," said Mr George Magnus, international economist at SG Warburg Securities. "What we're dealing with has very little to do with economic fundamentals - it's about the preservation of capital."

Bond markets worldwide have been weakening for the last few weeks in a sell-off that began after the US Federal Reserve's small monetary tightening in early February.

■ Gilts bore the brunt of the selling and under-performed most continental European bond markets. The March long gilt futures contract dropped by 2 13/32 points to 111⅞ and the yield spread on the 10-year benchmark gilt over its German counterpart widened to 113 basis points, from 88 basis points on Wednesday.

An overnight slide in US Treasuries and a bearish UK interest-rate forecast from Nomura equities strategist, Mr Nick Knight, sent gilts sharply lower at the open. Mr Knight said he expects UK base rates to rise to between 6 and 7 per cent by the year-end from 5.25 per cent now.

Traders reported some switching into gilts out of French and German government bonds, but said that was more than offset by continued sales from leveraged trading accounts in the US.

Buying is unlikely to emerge before the sell-off has run its course. "There's too much speculative money about and buyers are on strike," said Mr Bob Tyley, senior strategist at Paribas Capital Markets.

He recommends taking a reactive stance. "Don't try to pick the bottom - keep out and wait for things to calm down before re-entering these markets."

GOVERNMENT BONDS

■ German government bonds also fell sharply, with traders citing nervousness over potential turmoil in Russia and fears of inflated money supply data for January. In late London trading the March Bund future was down 1.31 point at 96.65.

■ French bonds fell steeply after the Bank of France cut its intervention rate by 10 basis points to 6.10 per cent.

Dealers were disappointed by the size of the cut. Many had expected the central bank to leave rates steady until the Bundesbank's next easing, while others had bet on a 20 basis point cut in a move asserting the Bank of France's new independence.

The March French bond future dropped by 1.04 points to 126.94.

■ Belgium plans to launch a 30-year bond by the summer, finance minister Mr Philippe Maystadt said yesterday.

The government also plans to issue a new nine-year bond, known as the "3-6-9", targeted primarily at domestic and retail investors.

The bond will be issued between March 8 and 14, and will carry a fixed coupon of 6 per cent between 1994 and 1995. The rate will then be variable, with a minimum level of 6.25 per cent between 1997 and 2000, and then 6.5 per cent for the last three years.

■ Longer-dated US Treasuries lost further ground yesterday morning as expectations of an early boost in interest rates encouraged selling ahead of an afternoon Treasury auction.

By mid-day, the benchmark 30-year government bond was ½ lower at 94 10/32, with the yield rising to 6.687 per cent. At the short end, the two-year note was unchanged at 99⅞, to yield 4.675 per cent.

Following a disappointing auction of new two-year notes the previous afternoon, traders were approaching the sale of $11bn in five-year notes with caution.

There was little enthusiasm for buying the new issue, with the widespread view that the Federal Reserve would soon raise short-term rates for a second time. Such an increase would enable investors to buy the securities at a cheaper price and a higher rate of return.

The market's downturn was initially triggered by a stronger than expected headline figure contained in the Commerce Department's report on January durable goods.

Bonds fell on news of a 3.7 per cent rise in factory orders, against forecasts of a 1 per cent increase.

However, traders quickly realised that most of the jump was attributable to a sharp upturn in aircraft orders, and the market retraced some of its losses.

Nevertheless, the underlying anxiety over the direction of monetary policy was not dispelled. Prices began to erode once again as the note auction approached.

Gilt market sees future in greater transparency

By Sara Webb

The Stock Exchange will next week announce plans to improve the quality of information provided in the UK government bond market, in an attempt to increase the transparency of the gilt market.

Since the reorganisation of the gilt market at the time of Big Bang in 1986, the question of transparency has barely been addressed. The current system is by no means perfect. Private client stockbrokers are damning about the lack of live price information, compared with what is available in equity markets.

Gilt-edged market-makers, known as Gemms, are not obliged to quote their bid-offer prices on a screen for all to see, nor do they have to publish the price at which the last trade was conducted.

By contrast, market-makers in equities publish their bid-offer spreads on Seaq International and the best prices available are shown on the so-called "yellow strip" (the space at the top of the page devoted to a particular stock). They also publish the last trade.

Stockbrokers complain that information available in the gilt market is inadequate, particularly for retail investors.

The dealers or Gemms themselves have access to inter-dealer broker screens, where they can see the prices quoted by other dealers, who remain anonymous. Market-makers prefer anonymity to having their names beside the quotes: they dislike the idea of competitors being able to see what prices they are quoting as it can lead to manipulation in the market.

Some participants believe that complete pre-trade transparency would lead to a widening of the bid-offer spread.

Stockbrokers, however, do not have access to the inter-dealer broker service. There are certain "closed-user groups". For example, on the Stock Exchange's Topic screen, Greenwell Montagu, SG Warburg, UBS and Goldman Sachs have closed-user pages, showing their particular prices, although in certain cases users complain that the prices are not updated very frequently, which can pose a problem when the market is volatile.

In addition, the Stock Exchange Topic screen shows the "mid-price" (the price halfway between bid and offer prices) of gilts. The service is compiled from a representative sample of Gemms and is updated at least every hour and sometimes more often.

The Bank of England and the Stock Exchange set up a Retail Gilts Working Party at the end of 1992 to look at dealing and settlement in the gilt market.

The results are due to be announced next week and the Stock Exchange said it will make recommendations on improving the quality of its mid-price service. Some experts think it needs updating more regularly and would like to see greater post-trade transparency - at least for retail trades - with the publication on screen of the last deal.

In that way, the mid-price service would give a sense of what market-makers are quoting and the "last-deal" service would give a sense of what had actually been done.

However, some stockbrokers would prefer to see even greater transparency, with Gemms forced to quote their bid-offer spreads on one single screen for all to see.

Widening yield spreads prompt intense debate on launch timing

By Antonia Sharpe

The chronic weakness in government bond markets and the recent widening of yield spreads in the Eurobond market have sparked intense discussions between issuers and their advisers on whether they should accelerate their international borrowing programmes.

An official at the World Bank said he was taking soundings from the market on the possible timing and pricing for a proposed global bond offering of $1.25bn. The 10-year issue would almost complete the dollar portion of the World Bank's annual borrowing programme of $10bn to $12bn which is due to end on June 30.

The official said current indications were for a tighter pricing than the level achieved on the World Bank's last global bond offering.

When the bonds were launched last September, they were priced to yield 10 basis points over US Treasuries but they now yield 10 basis points below Treasuries.

He added, however, that the World Bank's style was to find fair market value and it would rather withhold from launching an issue than press for a certain level. A decision was likely to be taken by the end of next week, he said.

INTERNATIONAL BONDS

Meanwhile, a further heavy fall in the US Treasury market prompted the National Bank of Hungary to delay the launch of its first global bond offering until market conditions improved. The market had expected the $500m, 10-year issue to be launched yesterday.

An official at lead manager Salomon Brothers said Hungary's decision reflected its reluctance to pay a higher coupon, especially since it was under no pressure to borrow. "Hungary is not in need of money, the purpose of the deal is to establish a benchmark," the official said.

Market jitters did not deter investment banks from underwriting just over $2bn worth of floating-rate notes, which included the first lira-denominated offering by a US investment bank.

The largest single FRN offering came from BankAmerica which raised $750m through a five-year issue. Some syndicate managers said the notes, which had a discounted margin of 21 basis points over Libor, appeared expensive compared with recent bank FRNs.

Lead manager Kidder Peabody said pricing reflected BankAmerica's improved standing with investors. "American banks are enjoying a renaissance in their credit appraisal," it said, noting that commercial banks tended to achieve lower spreads than investment banks.

The maturity of one year and two days on Republic of Argentina's $350m offering of FRNs prompted one syndicate manager to describe it as "glorified commercial paper".

Lead manager Goldman Sachs said the issuer had chosen the maturity in the belief that its yield spread would continue to improve at a rapid pace. The margin at launch was 100 basis points over Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BankAmerica Corp.(a)‡	750	(b,c)	99.832R	Mar.1999	0.20R	-	Kidder Peabody Intl.
Santander International‡	500	(d)	99.83R	Mar.1997	0.125	-	Morgan Stanley Intl.
Republic of Argentina(e)‡	350	(c,f)	100.00R	Mar.1995	undisc.	-	Goldman Sachs Intl.
Union Bank of Finland(g)‡	200	(h)	100.00R	Mar.1999	undisc.	-	Kidder Peabody Intl.
Hidroelectrica Alicura	170	(c,j)#	(i)R	Mar.1999	1.125R	+275(Wi 5yr)	Lehman Brothers Intl.
Grupo Tribasa(j)‡	150	(k)	98.26R	Mar.1999	0.675R	-	Salomon Brothers Intl.
LIRE							
Salomon‡	200bn	(l)	99.95R	Mar.1999	0.50R	-	Credito Italiano
SWISS FRANCS							
San-Ai Oil Co.(m)*§	75	0.25	100.00	Mar.1998	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on coupon dates from Mar.96 at par. b) 3-mth Libor +⅛%. c) Long 1st coupon. d) 3-mth Libor flat. e) 6-mth Libor +1%. f) Callable in Sep.94 at par. g) Puttable on any coupon date from Mar.95 at 99.95%. h) 6-mth Libor +0.1%. i) Priced on Monday. j) Callable in Mar.97 at 101¾% and Mar.98 at 100¾%. k) 3-mth Libor +1⅛%. l) 3-mth Libor +⅛%. m) Fixing Thursday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	117.0900	-0.900	6.81	6.30	6.20
Belgium		7.250	04/04	102.1000	-0.850	6.95	6.75	6.54
Canada *		6.500	06/04	97.2600	-0.290	6.88	6.67	6.44
Denmark		7.000	12/04	103.4000	-1.150	6.55	6.35	6.06
France	BTAN	6.000	05/98	108.4600	-0.640	5.42	5.52	5.12
	OAT	5.500	04/04	95.1000	-0.910	6.16	5.95	5.71
Germany		6.000	09/03	99.4100	-0.810	6.08	5.88	5.74
Italy		8.500	01/04	98.5000	-0.060	8.73†	8.65	8.38
Japan	No 119	4.800	06/99	107.2260	+0.090	3.21	2.96	2.97
	No 157	4.500	06/03	108.6470	-0.230	3.55	3.38	3.46
Netherlands		5.750	01/04	97.6200	-0.880	6.08	5.86	5.69
Spain		10.500	10/03	112.7000	-1.400	8.51	8.18	7.88
UK Gilts		6.000	08/99	97-15	-48/32	6.56	5.95	5.72
		6.750	11/04	97-16	-75/32	7.12	6.52	6.17
		9.000	10/08	114-31	-92/32	7.32	6.83	6.52
US Treasury *		5.875	02/04	97-27	-20/32	6.17	5.88	5.73
		6.250	08/23	94-10	-32/32	6.69	6.44	6.27
ECU (French Govt)		6.000	04/04	95.5000	-0.950	6.48	6.19	6.00

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	3.22	Three year	5.04
		Two month	3.49	Five year	5.60
Prime rate	6	Three month	3.45	10-year	6.17
Broker loan rate	5	Six month	3.71	30-year	6.69
Fed.funds	3¼	One year	3.99		
Fed.funds at intervention	3¼	Two year	4.69		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	127.58	126.94	-1.04	127.68	126.78	372,583	155,018
Jun	127.12	126.50	-1.04	127.18	126.38	30,782	37,944
Sep	126.38	125.74	-1.04	126.44	125.90	1,251	10,331

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
127	-	1.00	1.07	0.06	1.44	2.24
128	-	0.62	0.75	1.08	2.04	-
129	-	0.36	0.49	2.06	2.77	3.60
130	-	0.18	0.31	3.06	-	-
131	-	0.09	-	4.06	-	-

Est. vol. total, Calls 61,200 Puts 64,093. Previous day's open int., Calls 385,588 Puts 357,215.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.60	96.92	-1.04	97.68	96.65	268703	190973
Jun	97.30	96.65	-1.04	97.43	96.44	37369	60737
Sep	97.25	96.56	-1.04	97.25	96.66	821	2020

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9650	1.12	1.34	0.97	1.28
9700	0.89	1.10	1.24	1.54
9750	0.68	0.89	1.53	1.83

Est. vol. total, Calls 26558 Puts 25810. Previous day's open int., Calls 129770 Puts 120849

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.50	101.10	-0.60	101.57	101.10	1049	7808
Jun	101.27	101.21	-0.64	101.27	101.17	20	400

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.80	113.75	-1.45	114.88	113.47	84382	70842
Jun	114.80	113.75	-1.47	114.85	113.56	15453	35142
Sep	-	113.65	-1.47	-	-	0	1

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11350	2.27	3.04	2.02	2.89
11400	2.02	2.80	2.27	3.15
11450	1.79	2.56	2.54	3.43

Est. vol. total, Calls 10195 Puts 10074. Previous day's open int., Calls 23758 Puts 18341

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	103.65	102.75	-0.99	103.65	102.56	81,024	114,222
Jun	103.50	102.84	-0.88	103.50	102.75	4,075	34,802

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-31	112-04	-2-13	114-03	111-20	167610	107005
Jun	113-03	111-08	-2-14	113-09	110-28	41500	60003
Sep	-	110-12	-2-14	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
111	2-03	2-28	1-51	3-02
112	1-36	1-63	2-20	3-39
113	1-11	1-40	2-59	4-16

Est. vol. total, Calls 12083 Puts 4908. Previous day's open int., Calls 32230 Puts 32583

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	118.86	118.26	-0.94	118.92	118.10	6,530	16,409
Jun	-	93.16	-0.84	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-12	112-07	-0-04	112-15	111-17	409,298	313,329
Jun	111-12	110-82	-0-02	112-14	110-17	21,098	72,767
Sep	110-16	110-10	-0-04	110-16	109-31	1,430	33,442

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	113.29	-	-	113.29	112.83	172	0
Jun	112.30	-	-	112.30	111.50	2771	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Feb 24	Day's change %	Wed Feb 23	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	126.76	-0.52	127.42	1.46	2.07
2 5-15 years (24)	153.55	-1.64	156.11	1.86	2.62
3 Over 15 years (9)	173.63	-2.45	178.00	0.31	3.53
4 Irredeemables (6)	205.62	-2.61	211.24	2.33	1.12
5 All stocks (61)	149.17	-1.47	151.29	1.51	2.58
Index-linked					
6 Up to 5 years (2)	187.88	-0.84	189.07	0.59	1.41
7 Over 5 years (11)	181.88	-1.46	184.57	0.73	0.79
8 All stocks (13)	181.60	-1.37	184.12	0.72	0.85
Debentures and Loans					
9 Debs & Loans (73)	148.46	-1.58	150.67	2.50	1.66

Yields	Low coupon Feb 24	Low coupon Feb 23	Low coupon Yr. ago	Medium coupon Feb 24	Medium coupon Feb 23	Medium coupon Yr. ago	High coupon Feb 24	High coupon Feb 23	High coupon Yr. ago
5 yrs	6.49	6.21	6.59	6.70	6.45	6.91	6.82	6.53	7.07
15 yrs	7.14	6.90	7.82	7.28	7.02	8.32	7.50	7.25	8.58
20 yrs	7.25	7.02	8.12	7.29	7.04	8.49	7.51	7.26	8.67
Irred.†	7.34	7.14	8.57						

Index-linked	Inflation 5% Feb 24	Inflation 5% Feb 23	Inflation 5% Yr. ago	Inflation 10% Feb 24	Inflation 10% Feb 23	Inflation 10% Yr. ago
Up to 5 yrs	2.62	2.28	2.02	1.60	1.37	1.15
Over 5 yrs	3.29	3.19	3.48	3.11	3.00	3.30

Debentures and Loans	5 year yield Feb 24	5 year yield Feb 23	5 year yield Yr. ago	15 year yield Feb 24	15 year yield Feb 23	15 year yield Yr. ago	25 year yield Feb 24	25 year yield Feb 23	25 year yield Yr. ago
9 Debs & Loans	8.20	7.91	8.65	8.25	8.03	9.42	8.26	8.11	9.64

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 24	Feb 23	Feb 22	Feb 21	Feb 18	Yr ago	High*	Low*
Govt. Secs. (UK)	100.94	102.54	102.53	103.19	102.96	96.26	107.60	93.28
Fixed Interest	124.29	125.26	125.52	127.42	128.21	112.35	133.87	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 23	Feb 22	Feb 21	Feb 18	Feb 17
Gilt Edged bargains	103.8	116.6	118.1	95.7	110.2
5-day average	109.3	109.2	105.4	101.9	107.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:00 pm on February 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
Shorts (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1993: 141.0 and for January 1994: 141.3.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

BRITISH GAS ■ Way forward after £1.65bn restructuring ■ 25,000 jobs to go ■ New competitive culture

Paying a high price for Being in Control

Robert Corzine on the costly demise of the old regional structure in favour of five new businesses

No one familiar with the UK gas industry ever expected that the task of unravelling the largest integrated gas business in the West would come cheaply.

But the £1.65bn exceptional charge and 5,000 additional job losses announced yesterday by British Gas was the "mother of all restructuring charges," according to one City analyst.

Mr Philip Rogerson, finance director, said accounting practices prevented British Gas from phasing in the costs of restructuring over a prolonged period. "We had to do it in the year in which the decision was taken," he said.

But some analysts suspect that the dramatic announcement may also have been a reminder to the government and to Ofgas, the industry regulator, of the practical implications of the decision last December to abolish, beginning in 1996, British Gas's monopoly on supplying 18m of Britain's 24m households.

Mr Michael Heseltine, trade and industry secretary, decided against breaking up the company, and decreed that only the gas transportation and storage business had to be separated by Chinese walls from the trading business.

But senior executives decided that five separate business streams were needed to cope with increased competition.

Some analysts also detected the influence of Mr Richard Giordano, the new executive chairman, in yesterday's announcement. Although he has assumed a low profile since taking over at the beginning of January and did not attend yesterday's presentation, his appointment was intended to be a catalyst for the radical change of British Gas' corporate culture as well as its cost base.

In his written statement Mr Giordano conceded that "a restructuring of this magnitude will be painful for some," but "... we will do our best to be fair and generous to those who leave."

The latest announcement brings to 25,000 the total number of job cuts to be made over five years, although most will disappear over the next three years, the company says.

There has been scepticism among analysts that the company could actually meet previously-announced cost-cutting targets. But Mr Rogerson and Mr Cedric Brown, chief executive, pointed to a fall in employee numbers at the end of 1993 to 76,453, from 82,146 previously, as proof that British Gas is actually implementing its plans.

The demise of its old regional structure in favour of the five new national businesses should also help the company to meet cost-cutting targets, according to analysts.

The regional structure was well suited to the last 25 years or so, during which British Gas expanded its share of the UK non-transportation energy market from 7 per cent to 50 per cent. But managers of the 12 regions resisted moves which would have eroded their power bases.

"The regions were run like little empires," according to Mr Simon Flowers, analyst at Natwest Securities in Edinburgh.

Severance and pension costs totalling £1.31bn form the bulk of the restructuring charge, virtually all of which will require cash expenditure, according to Mr Rogerson. The cost per head will be about £52,000, with pension provisions a quarter of that figure.

Other redundancy-related costs include re-training and counselling. Some £50m has been allocated for training of staff who are staying but who will need to assume additional tasks.

The personnel cuts will be made across the new business divisions, say officials.

The physical division of the business units will cost £100m, with an additional £60m needed to cover payments for leased buildings which will no longer be needed. A total of 2,900 employees will need to relocate.

Mr Brown dismissed criticism that action could have been taken much earlier to reduce British Gas's cost base, which will be cut by more than £600m a year as a result of the restructuring.

He said radical action would have been taken much sooner had it not been for the prolonged period of uncertainty while the government decided on the future structure of the gas industry.

"We began looking at restructuring two-and-a-half years ago," he said, "but it would have been stupid if we had embarked on it without the clarity of the MMC and DTI decisions."

Mr Brown said it was still not possible to say how much emphasis the company would place on its non-regulated businesses, such as exploration and production and activities outside the UK.

Ironically, whatever international strategy emerges is likely to stress British Gas's expertise as an integrated gas company, able to apply its various skills in all segments of the "gas chain" from exploration and production to processing, distribution and marketing.

But Mr Brown said: "We need to know what the shipping charges and rate of return will be on our UK gas transport business before a clear international strategy can be determined."

Ofgas is to issue a consultation document on the subject in April, with a decision expected by October.

The other big uncertainty facing the company is the way in which Ofgas intends to open the residential market to competition.

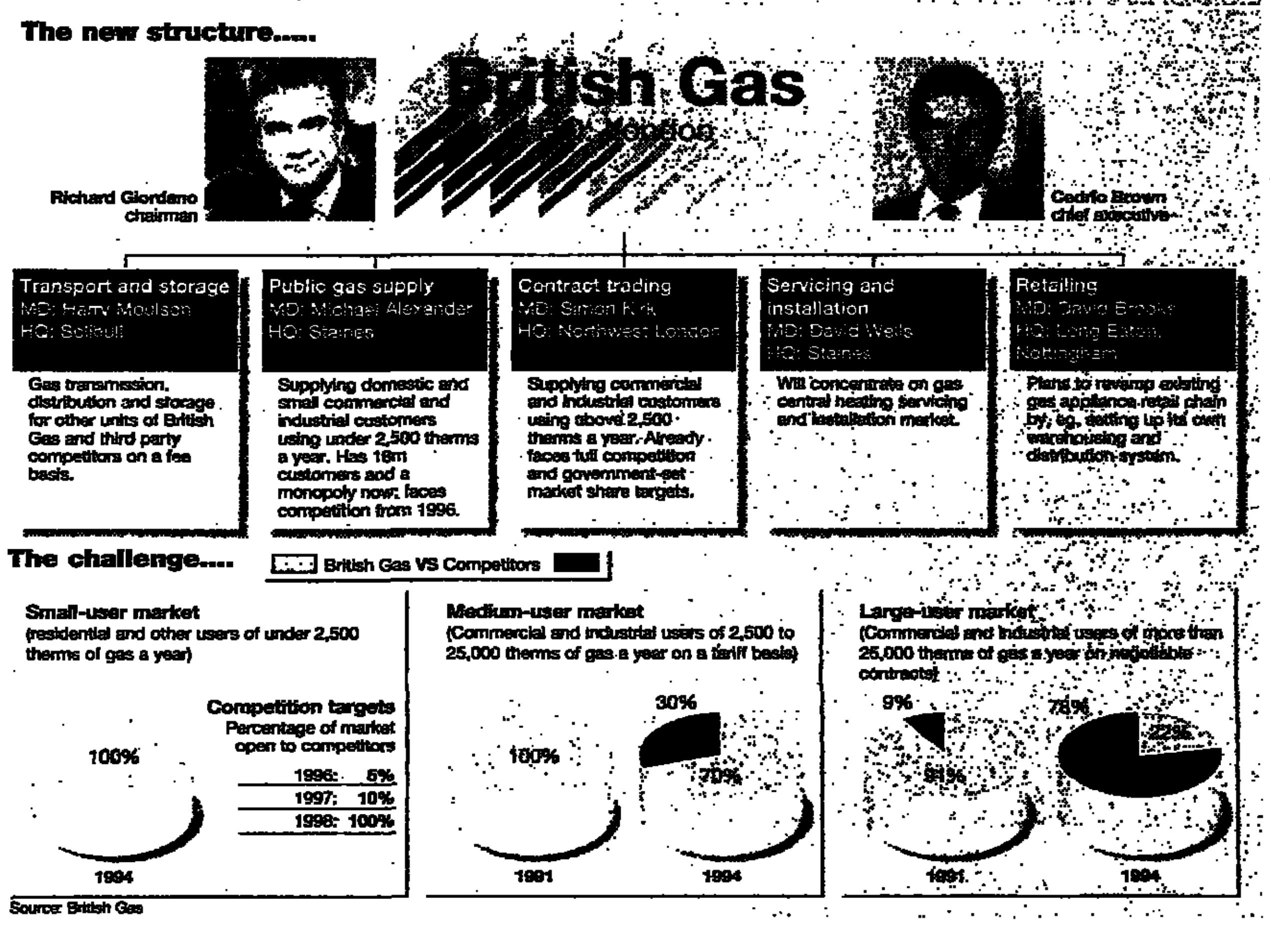
One positive development noted by Mr Brown yesterday was an end to the animosity which marked British Gas's relations with its regulator over the past few years. It coincided with the appointment last November of Ms Clare Spottiswoode as the new Ofgas director general.

"Both parties are now listening to each other", said Mr Brown, who stressed that British Gas was only seeking "a level playing field" with potential competitors.

A consultation document giving detailed options for introducing full-scale competition in the residential market will be published within the next few weeks, with a firm decision on the way forward expected before the summer, when government lawyers will begin drafting a new Gas bill for parliament to consider.

Only then will it become clear whether yesterday's action will be sufficient to put British Gas in control of its corporate destiny.

Refit for the gas men



Source: British Gas

Employment in utilities down 0.4m in decade

By David Goodhart

Britain's gas, electricity, water and telecommunications industries employed between them about 900,000 people in 1983, according to Department of Employment figures. A decade of privatisation and competition later the figure had fallen to less than 500,000.

This is the job-shedding context in which the announcement from British Gas must be seen.

The combination of competition, altered management culture, and, at least in the case of telecommunications, changed technology, has seen a substantial increase in productivity and a jobs shake-out over the past decade in these industries.

Much of the job-shedding occurred in the run up to privatisation, but the trend has continued since.

British Gas employed about 90,000 people just before privatisation in 1986 and is now down to 76,000.

The electricity industry in England and Wales employed 131,400 in 1990 and now employs about 110,00.

Employment in the water industry has only fallen slightly from 47,000 to about 45,000. British Telecommunications has dropped most dramatically of all, from 240,000 to 155,000.

Job losses have in the main been among lower skilled workers, those that remain are the better paid and higher skilled.

Pay analysts say that those who remain have been receiving pay rises well above the average, often supplemented by bonuses to reform old working practices.

At Southern Electric last year, such bonuses ranged between £250 and £600. Senior managers in most utilities have usually done a great deal better than that.

These new costs, combined with large redundancy payments – BT paid out £1bn last financial year – means that real paybill costs for the utilities have not been falling as fast as the number of employees. But in most cases the job cuts are so large that the total paybill has still fallen significantly.

The introduction of competition, deregulation and contracting out of non-core services can also help to create jobs, although not enough to match the losses.

In telecommunications, for example, Mercury, the main competitor to BT, now employs 10,000 people; the two big radio telephone companies, Vodafone and Cellnet, employ, 2,500 and 1,100 respectively.

Also, big price reductions have saved large users of telecommunications a lot of money which may have helped to create jobs in other parts of the business.

Whatever the benefits of privatisation the effect has certainly been to reduce overall employment and to increase the gap between well paid "core" workers and the periphery of insecure, low-paid, employees.

As privatisation spreads from Britain to the rest of Europe this effect is likely to be repeated, although less dramatically.

The European Commission is forcing the pace by requiring competition in telecommunications and electricity supply and this is prompting several countries to opt for privatisation. The German government is also considering introducing more competition into electricity supply.

Over the past decade continental utilities have been an important source of employment stability, and even new jobs, as the manufacturing sector has shed jobs rapidly.

As yesterday's announcement underlines, that has not been the case in Britain.

Compulsory job cuts not ruled out

By Robert Taylor, Labour Correspondent

British Gas executives told union leaders yesterday that no guarantee could be given that there would not be compulsory redundancies over the next five years.

That followed news of an additional 5,000 job cuts to the 20,000 job losses announced last November as part of the company's restructuring programme.

Union officials said, however, that there would be a serious prospect of industrial action at British Gas if the company went ahead and tried to push through compulsory job losses.

Mr Mick Skidmore, a GMB general union official for the gas industry, said last night that the union believed British Gas could only expect to secure around half the redundancies it wanted by voluntary means.

"With a cut as savage as around a third in the size of its labour force we don't believe the company will be able to avoid compulsory redundancies," he added.

Mr Skidmore said the unions were still waiting to be told by the company where the job cuts announced last November would come from, although some details at least of the broad sectors of the businesses affected were promised within the next few days.

About 2,000 British Gas workers have volunteered so far to take voluntary redundancy, union sources said.

Unison, the white-collar union, claimed last night that British Gas planned to shed about 33,000 jobs by 1998 and not the 25,000 it had so far announced.

Union officials said they had obtained internal documents from the company that substantiated their claim.

These suggest, on the basis of jobs to be allocated to the company's new business units, that its workforce will fall from 66,000 at present to just 32,000 in five years.

The documents indicate the numbers employed in service and installation will drop from 22,200 this year to only 9,300 by 1998 while those in transportation and storage will decline from 23,800 to 15,600 over the same period.

Other cuts involve nearly halving the workforce in the public gas supply unit from 11,100 to 5,700, a cut in retailing staff from 2,300 to 1,300 and a two thirds reduction in numbers employed in contract gas from 975 to 350.

A competitive culture is promoted

By Robert Corzine

A British Gas manager recently recalled the reaction of his elderly father in the north of England upon being told that his son was being posted to the company's exploration and production operations in Tunisia.

"What, you're going to Africa with the Gas Board?" the incredulous old man asked.

That public sector and decidedly domestic image of British Gas has been difficult to shake off in the eight years since privatisation, despite glossy advertising campaigns extolling the company's growing international role, with operations in dozens of countries.

Most British Gas customers, including the millions of 'Sids' who bought the company's shares at its privatisation in 1986, probably still see the company more as a dividend-paying public service than as a multinational energy company. Unfortunately for senior management so too do many British Gas workers and middle-ranking managers.

The internal resistance to changes brought on by increasing competition were highlighted last year when independent gas trading companies complained to Ofgas, the industry regulator, that the company was failing to provide timely information on the sale of their gas sent through British Gas pipelines.

It was later determined that inadequate information technology systems were partly to blame for the lengthy delays. But it was also clear that some employees saw little reason to help competitors, even if they were customers as well.

Long-serving employees were steeped in a tradition summed up by one veteran manager as "British Gas knows best," an inheritance from the days of Sir Dennis Rooke, a former chairman.

Introducing a competitive culture among the remaining employees is a priority for the company's senior executives.

The announcement last December of the end of British Gas's regional structure in favour of five new national businesses was a big step forward, according to analysts. It meant that powerful regional heads would lose their ability to block reforms proposed by Mr Cedric Brown, chief executive, and Mr Philip Rogerson, finance director.

Ms Clare Spottiswoode, director general of Ofgas, says the senior managers have "genuinely embraced competition," if for no other reason than they want to reduce the role of the regulator.

Royal Insurance back in the black at £143m

By Richard Lapper

Royal Insurance, one of the UK's largest composite insurers, is back in the black after three years of heavy losses.

The company reported pre-tax profits of £143m, against a deficit of £27m last year and losses of nearly £600m since 1990.

A final dividend of 7.5p is proposed, compared with 5p in 1992 and a forecast of 6.5p at the time of the rights issue last year.

Like Commercial Union and Guardian Royal Exchange, Royal's turnround hinged on a marked improvement in trading conditions in the UK.

UK underwriting losses were reduced from £259m to £15m, with most lines of business underwritten profitably.

Mr Richard Gamble, chief executive, singled out a particularly good performance by The Insurance Service, the Bristol-based telephone motor insurer, which increased its sales by 15 per cent, made profits of £5m and now has 370,000 motor policyholders.

Royal increased its UK premium income to £1.62bn (£1.55bn), but shed some market share in home and private motor insurance, where income fell to £605m (£615m) and £231m (£239m) respectively.

Profits in Canada fell slightly from £33m to £21m. The US also showed a decline, from £24m to £15m, while other territories edged ahead to £40m (£38m). Reserves to meet potential claims stemming from US pollution were increased by £37m to £248m (£170m).

Higher than expected losses of £87m at Royal Re, where claims continued to come in on business underwritten in earlier years, were despite the subsidiary's withdrawal from most markets.

Losses of £16m (£33m) by Royal's estate agency subsidiary also marred the picture. Life assurance profits rose to £31m (£29m).

Overall last year, premium income at Royal's general insurance subsidiary rose to £4.04bn (£3.75bn). Underwriting losses fell to £371m (£588m). Investment income increased to £521m (£486m), and income from associated undertakings rose to £27m (£21m).

● **COMMENT**

On several counts the immediate future for Royal looks rosy. Mortgage indemnity and reinsurance losses should fall further this year. Much of Royal's exposure to the personal motor market, where rates could begin to soften, is through its very competitive direct telephone-based insurance subsidiary. Pre-tax profits of £290m for 1994 appear well within the company's grasp, giving a prospective multiple of only 7. Investors will have been encouraged by the rate of yesterday's dividend increase. A pay-out of 10p next year puts the shares on a prospective yield of 4.4, reducing the gap with higher yielding rivals. The main question mark concerns Royal's well-known exposure to potentially substantial US pollution claims. The company says its reserves are adequate. If you accept that, it becomes difficult to justify the sizeable discount to net asset value and the shares look cheap.

NEWS DIGEST

Flogas rises to I£3.2m

Flogas, the quoted Irish supplier of liquefied petroleum gas, has raised interim pre-tax profits by 6 per cent, from I£3.2m to I£3.38m (£3.25m).

Turnover in the six months to December 31 rose by 21 per cent to I£27.4m.

The interim dividend is raised to 3.24p (2.94p) on earnings per share of 11.58p (10.93p).

Borrowings at the end of the period had been cut to I£2.09m (I£4.83m).

Edinburgh Oil and Gas expansion

Edinburgh Oil and Gas, the USM-traded exploration and production group, yesterday reported a sharp rise in annual profits and plans to raise additional funds to expand its onshore UK operations.

On the back of a 25 per cent increase in turnover to £2.39m pre-tax profits for the year to end-December rose from £56,000 to £161,000. Earnings per share improved to 0.93p (0.32p).

The funding proposals comprise a placing and open offer to raise £3.68m net via an issue of 17.38m new ordinary shares with warrants attached.

London Finance net assets rise

Over the year ended December 31 net asset value per share of the London Finance & Investment Group, the investment finance and management concern, expanded from 20p to 36.67p while pre-tax profits slipped from £226,000 to £192,000.

Earnings per share were 0.54p against 0.67p while the dividend is lifted to 0.5p (0.4p).

The pre-tax figure was after an exceptional charge of £31,000 (£345,000) being the cost of the warrant issue written off during 1993.

GGT – Young & Rubicam talks end

Talks between Gold Greenlees Trott, the UK advertising agency, and Young & Rubicam, the world's biggest privately-owned agency, have been terminated.

GGT's shares closed 20p lower at 240p.

The talks had been at the exploratory stage concerning co-operation in the London market.

Throgmorton Dual net assets expand

Net asset value per capital share of Throgmorton Dual Trust rose to 849.4p as at January 31, compared with 718.3p six months earlier and 667.5p at January 31 1993.

Available revenue came out at £659,000 for the six month period, against £632,000, giving a per share value of 2.87p (3.62p).

There is an unchanged second interim dividend of 1.75p making 3.5p (same) at the half-way stage.

Merlin Green net revenue at £865,544

Net assets per share at Merlin International Green Investment Trust fell from 106.8p to 74.6p over the 12 months to the end of December. The figure per zero dividend shares, which were issued during the year, was 54.6p.

Net revenue for 1993 came out at £865,544 (£593,648) for earnings per share of 3.44p (2.38p). A final dividend of 1.7p is proposed for a total of 3.4p (2.1p).

Bass establishes joint venture with Grolsch

By Tim Burt and Ronald van de Krol

Bass, the UK's largest brewer, said yesterday it was forming a joint venture company to market and distribute Grolsch lager in Britain and Ireland.

Under an agreement with the Dutch brewer, Bass will also have the exclusive licence to brew the lager at its plant at Alton, Hampshire.

The decision is a departure for the Enschede-based company, which until now has never allowed its beer to be brewed anywhere other than in its own breweries in the Netherlands.

Grolsch said it was changing its policy because it wanted to capitalise on the strength of its brand in the UK, particularly in southern England where premium brands account for 47 per cent of lager sales.

Brewing in the UK had also become a more attraction option following the 1992 sterling devaluation and the growing strength of the guilder, the company added.

Bass's production, which will cover casks, cans and bottles but not Grolsch's trademark swing-top bottle, is expected to begin later this year.

Mr Jerry Fowden, chief executive of Bass Brewers, said the creation of the joint venture company – to be named Grolsch (UK) – did not involve a material investment by either the UK or Dutch backers.

Bass will hold 49 per cent of the new group. "We hope to double Grolsch sales to around 200,000 barrels a year," he added.

The agreement gives Bass the right to not only to distribute UK-brewed lager to its own pubs and hotels, but to a national network of 27,000 on-trade outlets and the off-licence industry.

Grolsch also said it could not rule out the possibility that it would conclude similar types of arrangements in other markets, but declined to give details. The company's second-biggest export market after the UK is the US.

BT plans focus on global ambitions

By Andrew Adonis

British Telecommunications has restructured its senior management team to give a sharper focus to its international ambitions.

BT's business division has been split into two, one for international business, the other for national business.

Mr Alfred Mockett, the current director of business communications, will head the new international division.

Mr Mockett will also take one of the BT seats on the board of MCI, the long-distance US carrier in which BT took a 20 per cent stake for $5.3bn (£3.63bn) last June.

Mr Bruce Bond, currently director of BT's product and services management division, will lead the new national business division.

Mr Stafford Taylor – the former head of Cellnet, BT's cellular mobile joint venture with Securicor – will continue to head BT's personal communications division, which covers the residential market.

Mr Michael Hepher, BT's managing director, said the new international division would develop BT's marketing, services and sales capabilities for multinational companies needing global services, a field where BT is likely to be in strong competition with AT&T of the US.

BT and MCI are establishing a $1bn joint venture company to serve the global market. It is expected to be launched within the next few months as soon as regulatory approval is secured in Washington.

Woolwich advances 46% to £217m

By Alison Smith

Woolwich building society yesterday announced a 46 per cent increase in pre-tax profits from £149m to £217m in the year to December 31, due to lower provisions for bad and doubtful debts and improved performances from its 11 operating subsidiaries.

Pre-tax profits for the society itself, the UK's third largest, were £226m (£177m).

The society said the overall provisions for the group were £143m (£183m), of which the charge for loan losses was £123m (£145m).

The number of homes in possession almost halved during the year from 3,453 to 1,806.

Gross mortgage lending by the society rose by 12 per cent to £2.86bn (£2.54bn), but net lending fell back slightly to £972m (£978m).

Total assets grew by £2bn to £25bn.

Despite the intense competition for savings, the society's net retail receipts rose to £1.12bn (£893m) and it had an 18.5 per cent share of the building society savings market.

Only three subsidiaries incurred a loss in 1993. These were: Banque Woolwich, the French mortgage-lending subsidiary; Woolwich SpA, the Milan-based wholesale funded mortgage lending company; and Woolwich property services, the estate agency, which trimmed its losses to £3.4m (£11m). Overall pre-tax losses from the subsidiaries fell to £9m (£27m).

Mr Donald Kirkham, group chief executive, said he expected the estate agency to move into profit this year, and both the European subsidiaries to be in profit by the end of 1995.

Cost/income ratio for the group fell to 49.3 per cent (52.9 per cent).

During 1993, Woolwich issued a further £175m subordinated debt, which contributed to a year-end result of wholesale funds up slightly at 23 per cent (22 per cent) of total share, deposit and loan liabilities – still well below the regulatory limit of 40 per cent.

Mr Kirkham said he expected a "substantial volume of pent-up demand" to be released this year, leading to a rise in the number of property transactions to 1.4m (1.2m), and a 5 per cent increase in house prices by the end of the year.

Mr John Wriglesworth, societies analyst at UBS, said the results were "impressive and robust."

Though the fall in provisions was less steep than that reported by some other large societies, this reflected the fact that in 1992 Woolwich had had a lower than average provision charge on assets.

CEGF placing oversubscribed

By Bethan Hutton

The institutional placing for the Central European Growth Fund, an investment trust to be managed by CS First Boston, was oversubscribed at $150m (£103m). Up to $50m more is expected to be raised from the public offer, which opens today.

The fund, which although dollar denominated will have a London quote, will invest in the Czech Republic, Hungary and Poland, with up to 20 per cent elsewhere in central Europe.

The main focus will be on small to medium-sized companies ($20m to $300m capitalisation) listed on the Prague, Warsaw and Budapest stock exchanges, but a proportion will also be invested in companies expected to gain a listing within two years.

Mr Charles Harman, of CS First Boston, described these economies as "not so much emerging markets as re-emerging markets" with a strong industrial tradition and low wage costs.

CS First Boston has been active in the region for several years, including managing $750m of funds for local clients.

Investment of money raised through the issue will take place gradually over the next six to 12 months, to avoid pushing up share prices with a flood of new money. This will also allow the fund to take advantage of privatisations expected in the near future.

Ordinary shares are offered at $1, with one warrant attached to every five shares. The impact of issue expenses will mean that ordinary shares will have an initial net asset value of 96.2 cents.

The public offer closes on March 11, and dealings in the shares and warrants is expected to start on March 21.

United Carriers sets float price at 153p

By David Blackwell

United Carriers, the parcels and freight distribution company, finalised its flotation details yesterday, pricing the shares at 153p to produce a market capitalisation of £51.8m.

Net proceeds to the company will be £9m, which will be used initially to reduce borrowings and strengthen the balance sheet, cutting gearing from 42.5 per cent at the year end to between 15 per cent and 25 per cent.

Mr Allan Binks, chairman, said that, with the continuing recovery in the UK economy, the group would now be "well placed to take advantage of its potential for profitable growth in the future."

Just over 15m ordinary shares, worth £23m, are being placed with institutions. The biggest seller is Phildrew Ventures, which in 1989 backed the management in a £55m buy-out from Bunzl, now a paper and packing company but then a conglomerate. Bunzl is selling its remaining 8 per cent stake.

After the buy-out institutions will hold 68 per cent of the group. Directors, who held 31 per cent, will have 18 per cent. The remaining 14 per cent will be held by employees and former employees.

The company's prospectus shows that operating profits on continuing operations before exceptionals rose from £4.6m to £5.3m in the year to December 31. Turnover from continuing operations rose from £93m to £105.4m.

The notional net dividend for 1993 is 4.9p, giving a notional gross dividend yield of 4 per cent.

The placing is sponsored by Lazard Brothers and brokers are UBS.

Dealings are expected to commence next Thursday.

Bid for STC Submarine cleared

By Andrew Adonis

The Monopolies and Mergers Commission has cleared the £600m bid for STC Submarine Systems by Alcatel Alsthom, the French communications equipment supplier.

Alcatel's purchase of the UK submarine systems supplier from Northern Telecom, the Canadian telecommunications equipment supplier which bought STC in 1990, is expected to be finalised soon.

The sale makes Alcatel Europe's only large telecommunications submarine systems supplier. Its main competitors are AT&T, the US telecommunications company, and Fujitsu and NEC, the Japanese suppliers.

Mr Pierre Suard, Alcatel's chief executive, said the merger of the two businesses "will allow the European industry to confront world competition with maximum advantage".

He cited, in particular, competition for the Flag project – fibre optic links around the globe – the largest network of undersea cables ever tendered, where Alcatel would be in strong competition with the US and Japanese suppliers.

Contracts are likely to be awarded later this year.

Virgin Retail sets up Hong Kong link

By Louise Lucas in Hong Kong

Wheelock, the trading conglomerate formerly known as World International, has teamed up with Virgin Retail in a bid to bring Virgin Megastores to the colony and, later, to China and Taiwan.

Virgin Megastores (Hong Kong), the joint venture company, will be equally owned by Wheelock Pacific and Virgin Retail.

In line with other Virgin Megastores throughout the world the store will bring together experience of the local retail market with Virgin's home entertainment retail concept.

Potential sites – which include developments in the Wheelock land bank – are already under consideration, and it is expected the first joint venture megastore will open early next year at the latest.

Wheelock said the move was in line with its plans to form alliances with large international groups as part of its strategy to broaden its business base, especially in the east Asia, Hong Kong and China regions.

Mr Will Whitehorn of Virgin, said plans to tap into the growing home entertainment market in China were complicated by the Chinese government's attitude towards intellectual property rights protection.

Ms Lee Sands, the US trade representative's director for China, has urged the Beijing authorities to clamp down on intellectual property rights infringements – a long-running source of friction between the two countries.

Proteus animal health deal

Proteus International, the computer-aided drug designer, is forming a joint venture with the UK subsidiary of InnoVet, a US supplier of animal health products.

To be called CamProvet, the company will manufacture and market food diagnostics together with products and vaccines for use in animal health care.

The company will be owned equally by Proteus and InnoVet's Cambridge Veterinary Sciences subsidiary.

Initially CamProvet will use InnoVet's diagnostic technology, which is already on the market.

Alliance Resources $0.38m in loss

In its first set of results since reconstruction proposals were put to shareholders last June, Alliance Resources, the oil and gas exploration and production company, reported pre-tax losses of $381,000 ($261,000) for the six months to October 31. For the year to April 30 1993 there were losses of $1.63m.

The reduced deficit reflected a cut in administrative expenses to $407,000 ($1.54m for 12 months), a fall in net interest costs to $62,000 ($196,000) and a small increase in production. Turnover was $461,000 ($631,000). Losses per share were 0.01p (0.09p).

The June proposals comprised the acquisition of Manx Petroleum, the acquisition of a further 14.25 per cent in the Valentine field, a £2.8m rights issue and placing together with a capital reconstruction and the appointment of two non-executive directors, Mr James Prior as chairman and Lord Torrington.

In addition, the company's listing was restored in July and the reorganisation plan for its Alliance Resources (USA) subsidiary was approved by the US Bankruptcy Court.

Mr Prior said the changes did not have a material effect on the results.

COMPANY NEWS: UK

Regent Inns up 70% and plans expansion

By Tim Burt

Regent Inns yesterday announced plans to expand its pub operations by a third following a sharp increase in half-year profits.

Regent, a former business expansion scheme company which came to the market last year, said its strategy had been underpinned by a 70 per cent increase in pre-tax profits to £1.03m (£604,000) in the six months to January 1 this year.

Mr Chris Watson, finance director, said: "Our aim is now to open 12 new pubs a year, and the size of the portfolio should increase from 33 to 44 by June this year."

The group, which raised £6.16m in a share placing and open offer last April, said the current expansion programme would cost £6.8m in total.

Further acquisitions, designed to secure 80 outlets for the group over the next five years, would be funded from an unused £7m bank loan facility and existing cashflow.

Although the half-year figures were boosted by a £41,000 gain on the disposal of fixed assets, the increase was mainly because of better trading conditions at its sites in London and the home counties.

Mr Watson said that average turnover per pub was now 14 per cent higher than a year ago, resulting in increased turnover of £7.16m, against £6.48m.

Earnings per share came out at 5.8p (5p).

Mr Watson said the interim dividend of 1.75p (2.25p) represented a third of the anticipated annual total.

Eleco benefits from restructure

By Graham Deller

Eleco Holdings, the Hertfordshire-based building products and specialist contracting group, returned to the black at the interim stage as its restructuring programme began to bear fruit.

On turnover of £27m (£23.6m), including a contribution of £45,000 (£828,000) from discontinued activities, profits before tax for the half year to December 31 emerged at £139,000 (losses of £2.21m).

Mr Field Walton, chairman, stressed that although some group businesses had made good progress, particularly in the specialist products division, others continued to encounter difficulties.

An improved showing from distribution and construction activities, currently operating in "highly competitive" markets, would only be achieved following continuation of rationalisation programmes, Mr Walton said.

Borrowings stood at £8.9m at the period end, down from £11.9m at June 30. Proceeds from disposals following the continuing withdrawal from property development would be used to further reduce debt.

Earnings per share were 0.4p, against losses last time of 7.5p. There is again no interim dividend, but a decision on a final will be made "in light of the full-year results and the continuing trading outlook". The last distribution was a final of 1p in 1992.

Moorfield property option

Moorfield Estates yesterday announced it had entered into an option agreement to acquire a portfolio of commercial investment property for £23.9m.

Mr Richard Redmayne, chairman, said the board and its advisers were reviewing the options available for structuring the transaction, and would make a further announcement.

Moorfield also announced it had been notified by three of its directors that proceedings had commenced in the High Court by the liquidator of a private property company in which they were individually named as defendants.

The directors concerned "wholly refute the claims made against them", and are contesting the proceedings vigorously, the company said.

Mr Redmayne stressed that Moorfield Estates was not involved in the proceedings.

Gartmore Shared pays 2.4p

In the first published figures since its formation in October last year, Gartmore Shared Equity Trust reported a net asset value of 126p per geared ordinary income share at the January 31 period end.

The net asset value of the zero dividend preference shares stood at 102.3p at the same date.

After tax revenue for the period from October 21 to January 31 amounted to £496,000. Earnings per geared ordinary income share emerged at 1.37p and a maiden dividend of 2.4p is declared.

The trust was set up to offer shareholders in Gartmore Value Investments, a split-capital trust due to wind up in 1995, the opportunity to switch into an investment with a longer life, having a wider spread of equities, and which would be less highly geared.

NEWS IN BRIEF

ALLIED TEXTILE Companies has received valid applications in respect of 4.31m new ordinary shares, 79.6 per cent of the open offer.

ARMITAGE BROTHERS, pet products maker, has purchased the pet care division of Anthony Green.

BOXMORE International: Of the 4.44m new ordinary shares made available under the £11.1m placing and open offer, valid applications as at February 22 had been received in respect of 1.63m shares. Dealings are expected to start on March 1.

EASTERN ELECTRICITY has made market purchases of 2m of its own shares at 663p each.

ENVIROMED is to acquire Ecossensors, a developer of advanced sensor technology for diagnostics, for a maximum £300,000 in cash and shares. Enviromed is buying all the ordinary and 75 per cent of the non-voting B shares, with an option on the remainder.

EUROPE ENERGY Group has reached agreement with Coal Investments covering certain areas of co-operation between the two companies. Initially this extends to Europe Energy agreeing to process 25,000 tonnes of anthracite for Coal Investments annually.

FLEMING HIGH Income Investment Trust: Net asset value per share was 117.9p as at January 31 compared with 94.1p at April 30 1993. Available revenue for the nine months to end-January amounted to £1.11m (£1.32m) after tax of £284,000 (£523,000). Third interim dividend 1.1p (1.45p). Earnings per share were 3.45p (4.19p).

GARTMORE VALUE Investments: Net asset value per share was 55.8p (30.4p) at January 31. Net revenue for nine months £1.08m (£1.09m) for earnings of 2.16p (2.18p). Third interim dividend unchanged at 0.9525p, maintaining total of 2.8575p to date.

MANPOWER has acquired London & Provincial Nursing Services, the largest supplier of nursing staff to the National Health Service. The existing operations team at LPNS will continue to manage the network of 22 branches.

MOSAIC INVESTMENTS: Following a put and call option covering 3m shares, Montagu Private Equity Investments is interested in 4.48m shares, representing 13 per cent of the ordinary capital.

NOREX CORPORATION: Acceptances of the recommended offer for Norex plc have been received in respect of 4.65m Norex shares, some 49.3 per cent of the issued capital, bringing the total Norex shares owned by the Corporation to 8.73m, or 92.5 per cent.

ORIENTAL SMALLER Companies Investment Trust: Undiluted net asset value $5.41 ($2.43) per share at December 31. Earnings per share for year 0.77 cents (2.04 cents). Dividend of 0.4 cents declared; shareholders have option to receive payment in sterling.

Strong end to year as Telegraph rises 36%

By Maggie Urry

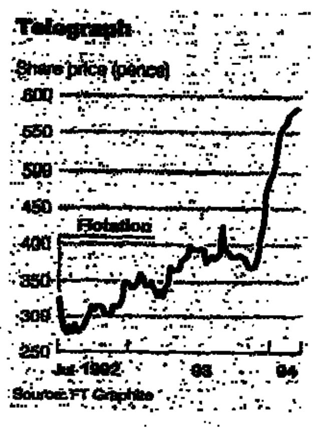
A strong final quarter helped The Telegraph lift 1993 pre-tax profits 36 per cent from £44.3m to £60.2m. Excluding one-off items, pre-tax profits were 15.5 per cent higher at £53.7m.

A final dividend of 7.5p is proposed to give a total of 13p (11p), a rise of 18 per cent.

Mr Joe Cooke, managing director, said that the trend of stronger advertising revenue had continued into the current year. The shares rose 7p to 587p, which compares with the flotation price of 325p in July 1992.

The group, which publishes the Daily and Sunday Telegraph in the UK, also has a 25 per cent stake in John Fairfax Holdings, the Australian newspaper group, and a 9.4 per cent stake in Southam, the Canadian publisher. Nearly 20 per cent of pre-tax profit comes from outside the UK, Mr Conrad Black, chairman, said.

During 1993, newspaper advertising revenue rose 8 per cent while circulation revenue increased by almost 6 per cent. Mr Cooke said that the price of the Monday to Friday Daily Telegraph had been increased in February last year, but the Saturday and Sunday papers prices had not risen in the autumn as was usual. The Saturday edition's price was "the next candidate" for an increase, he said.



About 53 per cent of revenue came from advertising, a recovery from recent years, but well below the two thirds contributed in the peak year of 1989.

Group turnover rose 8 per cent to £255.7m (£237.2m) for operating profits up from £37.5m, after £2.2m of float costs, to £42.9m. The sale of a stake in Trinity International Holdings in February contributed a profit of £6.5m. Associates more than doubled to £12.7m (£5.9m) largely because of the increase in the Fairfax stake.

There was a £2.8m worsening in the interest position, as a credit of £900,000 turned to a debit of £1.9m. During 1993 The Telegraph increased its stake in Fairfax from 15 per cent, at a cost of £74m and acquired the Southam stake for £86m. As a result total borrowings rose from £40.5m to £104m. However, taking account of cash of £9.5m, gearing at the year end was 31 per cent.

The tax rate rose from 27.5 per cent to 30.9 per cent. Earnings per share were higher at 30.6p (23.8p) or 27.4p (23.8p), excluding the investment profit.

● **COMMENT**

The cycle is beginning to work in The Telegraph's favour and 1994 should see further good growth in advertising. Meanwhile, Fairfax is proving a good investment, though the cycle there is perhaps two years behind that in the UK. Later on the Southam stake should also contribute as it also responds to the cost-cutting. With profits this year expected to rise to about £66m, the prospective p/e is about 17. Suspicions over the 68 per cent stake held by Mr Black's Hollinger group seem to have been dispelled and the shares could continue to outperform.

Provident Financial ahead 54% to £62.5m

By Alison Smith

Provident Financial, the personal loan and consumer finance group, yesterday reported pre-tax profits of £62.5m for 1993, a 54 per cent increase over the previous year's restated £40.7m.

Earnings per share rose by 47 per cent to 31.43p and a recommended 46 per cent rise in the final dividend to 11.25p makes a 16p (11.4p) total.

Mr John van Kuffeler, chief executive, said profitability had benefited from the steps taken over the last couple of years to rationalise the group's operations by reorganising the continuing businesses and disposing of underperforming subsidiaries.

Borrowings fell from £228m at the start of 1993 to £187m at the year-end, reflecting partly the receipt of £30m from the sale of Bradford-based Peoples Bank and the business of Peoples Motor Finance.

The group has reduced its offices to 267 (360) and cut the number of its employees from 4,100 to 3,500.

Its self-employed sales force who act as agents in the home collecting credit operation, the main business, has also dropped in size slightly.

It offers unsecured loans, mostly to tenants on council estates, on which it charges high rates of interest to compensate for collection costs and risk.

Pre-tax profits for the home collected credit division increased by 29 per cent to £58.1m. Bad debt charges were broadly the same as in 1992, after two years in which they increased. However, because credit issued and collected rose by 7 per cent the charges fell as a proportion of total credit.

The group is "hoping, but not expecting", that charges for bad debts might go down in 1994.

The insurance division doubled its pre-tax profits to £10.8m. The main growth in the underwriting business came from Halifax Insurance, which increased its policyholder numbers to 618,000 (400,000) at the year-end.

Mr van Kuffeler said motor premiums levelled off in the last quarter of 1993, after nine months of strong growth. He did not expect similarly strong growth in 1994.

Halifax Insurance also benefited from a payment from Halifax building society for purchasing its trademarks, and is now being renamed Provident Insurance.

A £2m restructuring provision was made to cover the setting up of a pilot telephone sales operation as part of Colonnade Insurance brokers, where trading profits rose from £700,000 to £900,000. The company has lost customers to direct writers, and the group is rationalising its activities. About 20 of its 120 branches are expected to close during the year.

Provident's shares closed 10p lower at 499p.

Beazer Homes to raise £50m of new money

By Maggie Urry

Beazer Homes is to raise £50m of new money when it is floated by Hanson next month. Before the new money, Beazer will have no debt.

The new funds would finance land purchases and working capital to take Beazer Homes a long way towards its target of building 7,000 houses a year by the end of the decade, the group said.

In its pathfinder prospectus, issued yesterday, Beazer Homes said that had it been quoted for a full year to June 1994 it would have paid a dividend of 5.4p, a rise of 8 per cent over an indicated 5p pay-out for 1993.

The 1993 dividend would have been covered 2.3 times by adjusted earnings of 11.4p, not taking account of the benefit of the £50m. Mr Victor Benjamin, chairman, said he expected dividend cover to vary between two and three depending on the stage of the housebuilding cycle.

The group said that during the first four months of the current financial period, which will be for nine months, reservations were 33 per cent up and completions 28 per cent up.

Mr Dennis Webb, chief executive, said the group was currently in late stages of negotiating the purchase of 3,000 plots of land, at an average price of £11,000. At the end of December the group's land bank was 15,117 plots at an average price of £8,500.

He said he expected average selling prices to rise, partly as the group changed its mix towards the higher end of the market, and also because the levels of sales incentives were falling, from some £4,000 to £5,000 a house to about £2,000 to £3,000 now.

The prospectus warned that because the group was currently developing higher cost sites, gross margins would be reduced in the current year. This would put some pressure on the operating margin which was 13.6 per cent in the year to September, said Mr David Smith, finance director.

The group has about 4,000 plots bought between 1989 and 1991 when land costs were higher. These would be used "in the short term", Mr Webb said.

Mr Smith also warned that the tax charge would rise over the next three to four years from 25 to 33 per cent.

Analysts said the amount of new money being raised was encouraging as Beazer Homes would come to market with a strong balance sheet.

However, the fall in the stock market yesterday was also weighing on forecasts of the group's likely market capitalisation which ranged up to £450m.

Mr Webb said the "ethos and structure" of the company was based on the belief that a profitable housebuilder needs a good local knowledge of its markets.

The group is divided into 14 autonomous companies, and there are few central functions although there were strict central financial controls.

The subsidiaries are responsible for buying land, deciding what sort of houses to build, for buying materials and marketing the finished product.

Development Securities back in the black

By Simon Davies

Development Securities, formerly Claythorn Properties, has returned to the black after three years of heavy losses.

The company has undertaken a radical programme of asset sales in the last two years, but since Mr Martin Landau took a significant shareholding and joined the board last June, it has started to rebuild its investment portfolio.

Pre-tax profits in 1993 amounted to £900,000, compared with losses of £40.8m restated for FRS 3, but the figures were boosted by the release of £5m of negative goodwill from the sale of Stead & Simpson, the shoe retailer.

Turnover fell to £26m (£71.4m).

The company raised £56.4m during the year through two placings and open offers, and boosted its investment portfolio from £31.2m to £80.2m.

It has become more positive about the property development market, and is to start work on two sites, after several years of inactivity.

Mr Landau, deputy chairman, said the company had cleaned up its balance sheet and was looking to expand through property investments, or by acquisition.

Earnings per share amounted to 1.9p (107p losses).

Towry Law at £565,000 after listing costs

By Bethan Hutton

Towry Law, the chain of independent financial advisers which floated last November, returned pre-tax profits of £565,000 for the six months to December 31 after meeting the £237,000 costs of listing.

The comparable figure for 1992 was £42,000.

Turnover rose to £10.9m, an improvement of 29 per cent over last time's £8.44m.

Mr Cecil Law, chairman, said that as trading last year was "difficult" in the first half and strong in the second six months, the increase in the current second half was unlikely to be as large.

An interim dividend of 1.5p is declared from earnings of 1.9p (0.2p).

The financial services industry is currently the subject of an investigation into faulty advice on pension transfers. Independent financial advisers have been among those criticised, but Towry Law said it had not advised on any transfers involving opt-outs from final salary schemes, and its involvement generally in transfers from public sector schemes was minor.

Pensions advisory activities are responsible for the smallest proportion of turnover of the company's three divisions, after financial planning and insurance broking.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Gas	fin	8.1	Jul 6	7.8	14.5	14.2
Floges	int	3.24‡	Mar 25	2.94	-	7.92
Gartmore Shared	int	2.4	Mar 31	-	-	-
ICI	fin	17	Apr 28	17☆	27.5	27.5
London Finance	fin	0.5	Apr 8	0.4	0.5	0.4
Merlin Green	fin	1.7	Mar 31	1.1	3.4	2.1
Provident Fin	fin	11.25	Apr 29	7.7	16	11.4
Quayle Munro	int	3	Apr 6	3	-	6♥
Regent Inns	int	1.75	Apr 7	-	-	2.25
Royal Dutch	fin	4.9‡	May 31	4.85	8.6	8.45
Royal Insurance	fin	5	May 4	3	7.5	5
Shell Transport	fin	13.8	May 24	12.6	24	21.9
Telegraph	fin	7.5	May 11	6.5	13	11
Throgmorton Dual	int	1.75	Apr 30	1.75	-	7.1
Towry Law	int	1.5	Apr 1	-	-	-

Dividends shown pence per share net. †On increased capital. §USM stock. ‡Dutch guilders. ☆ Adjusted for demerger. ‡Irish pence. ♥For 10 months.

Pechiney's cut lifts aluminium

By Kenneth Gooding, Mining Correspondent

Pechiney, Europe's biggest aluminium producer, yesterday joined the international groups pledging to cut world-wide annual output to bring the market back into better balance. The French group will cut output by 12 per cent or 120,000 tonnes for at least 18 months, starting in April – a move that will include the long-expected permanent closure of its smelter at Venthon in France.

Pechiney previously indicated that it would contribute to the global reduction in output but its cuts are bigger than the market expected. The three-month aluminium price, which had been languishing at $1,290 a tonne on the London Metal Exchange before Pechiney's news, revived to close at $1,314.50, up $12. But it remained well below the recent 18-month peak of $1,331 a tonne.

Cuts announced so far by western producers total roughly 830,000 tonnes for a full year, according to Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group. This would have little impact during the first half of 1994, he suggested, but would reduce western production from 14.977m tonnes last year to about 14.3m in 1994.

Mr MacMillan remained sceptical about the ability of the Russian government to persuade the republic's smelters to make all the cuts promised by trade delegates at a meeting last month in Brussels: 200,000 tonnes by April and then another 300,000 in the next three months.

He said there was unlikely to be any substantial boost to aluminium demand before 1995. But then it could be very strong and stocks, now standing at record levels, might start to fall quickly – if aluminium smelting capacity remained shut.

The Russian industry welcomed Pechiney's announcement and suggested that it would enable talks between some major aluminium-producing nations in Canada next week to make substantial progress. The meeting in Ottawa will assess progress made since delegates in Brussels agreed that producers should push ahead with global output cuts of at least 1.5m tonnes or about 10 per cent of world production.

The Russians previously have been critical of Pechiney's vacillation because, like many others in the industry, they believe the French group was mainly responsible for persuading the European Commission to impose restrictions on aluminium imports from the former Soviet Union to European Union countries.

MARKET REPORT

Copper price boosted

The three months COPPER price ran up to $1,900 a tonne level by the end of after hours trading at the London Metal Exchange, a $20 gain from Wednesday, helped by aluminium's strength and solid support below $1,880 a tonne earlier in the session.

At the London bullion market GOLD closed at 35 cents down at $378.10 a troy ounce after the New York market had weathered a test by bank selling.

PLATINUM was fixed in the afternoon at $389.50 an ounce, down $2.50 on the day and $9.50 on the week so far, as perception of the need to cover against possible South African mine disruptions in the lead-up to the April elections subsided.

Compiled from Reuter

Newmont claims that its gold 'bug' process is viable

By Kenneth Gooding

Newmont Gold, the biggest US gold producer, yesterday claimed that its patented process for recovering gold from very low grade refractory (or difficult) ore by using bacteria was commercially viable.

The company has been employing *thiobacillus ferro-oxidans*, naturally-occurring "bugs", to do in months what would otherwise take millions of years. Gencor of South Africa uses similar bacteria for its gold bio-leaching process, increasingly employed worldwide, but Newmont's is different in that ore is piled in a huge heap rather than treated by liquid in tanks.

Newmont has already stockpiled at its mines on the Carlin Trend in Nevada material that would be waste if bio-leaching did not work. Mr Peter Philip, president, said that it was now likely Newmont would be able to count the gold in the material towards its reserves by the end of the year: 1.1m ounces of it.

Costs would depend each specific project but Mr Philip said that they would be roughly $3.50 a tonne treated.

His company was in talks with American Barrick, its neighbour on the Carlin Trend, which has about 20m tonnes of low grade, refractory material containing 1m ounces of gold. If it proves commercially viable to use Newmont's bio-leaching process on the Barrick material, the partners would share the capital costs and the profits.

Mr Philip said Newmont had identified other mines around the world where bio-leaching might be able to turn waste into ore and was looking for more joint ventures similar to the one contemplated with Barrick.

He said treatment of the Barrick material could begin on a commercial basis as early as next year. Newmont would not need to treat its own material until 1996.

Mr Philip hoped that before then Newmont's new process would have been superseded by a second process that could release gold from low-grade, refractory ore that also contains carbon – a material to which gold naturally sticks, so no matter how well the bacteria do their job, the precious metal is still not released. Newmont's land in Nevada has great deal of this type of material containing an estimated 3.9m ounces of gold.

Codelco trader denies destroying documents relating to $206m loss

By David Pilling in Santiago

The man at the centre of the futures scandal at Codelco, Chile's state-owned copper company, has denied accusations that he destroyed documents relating to the loss of $206m on metals futures operations.

"Not a single document was destroyed that had any bearing on the investigation," Mr Juan Pablo Dávila told journalists after eight hours of testimony before the parliamentary commission looking into the case.

Mr Dávila, former chief futures trader at Codelco, has been accused by the company's acting president, Mr Jorge Rodríguez, of destroying correspondence from brokers. "If we had had these documents, we could have cleared up this case much more quickly," Mr Rodríguez said.

Mr Dávila's statement came after President Patricio Aylwin had on Wednesday received an interim report into the futures losses prepared by the comptroller general.

Details of the report are not known, but a spokesman for the comptroller said losses were found to be "somewhat higher" than the $206m cited by Codelco executives. They could rise or fall depending on the handling of contracts that were still open, he said.

The report is also believed to point to a lack of controls over futures operations and to assign part responsibility for such failings to executives outside the futures department. Mr Rodríguez said that failure to implement controls – either deliberately or through negligence – was "very serious".

● Meanwhile, Codelco executives moved to limit the damage over the delay in signing a joint venture agreement for the El Abra project, which had been expected to raise an initial $555m. New tests on the deposit requested by the Cyprus Amax/Lac Minerals consortium, which last year agreed to take a 51 per cent stake in El Abra, would be ready by the end of April, Codelco said.

French prepare to meet challenge of post-Gatt farming

David Buchan on the structural inefficiencies that must be addressed to improve competitiveness

French agriculture must become "the most competitive in Europe", says Mr Jean Puech, France's farm minister.

Such an ambition may seem redundant for a country that is already the world's second largest exporter of farm products. But it is partly designed to lift French farmers out of any post-Gatt depression and offer them a new horizon.

In fact, French farmers are already showing a positive response to the new world in European agriculture. "Our farmers seem to have been greatly relieved to find that within the last few weeks of 1993 their income support cheques starting arriving from Brussels, showing that the reform of the common agricultural policy actually works, and that the eventual Gatt agreement was not nearly as bad as they originally feared," says a senior agriculture ministry official in Paris. French banks report that in the first few weeks of this year farmers were starting to invest in fertiliser, tractors and new buildings, reversing their cutbacks of 1992-93.

Mr Puech's statement is, however, also a recognition that while France may lead Europe in sectors like cereals and sugar, and has made great strides in pork and poultry, its competitiveness is variable in milk production and often downright bad in beef and sheepmeat.

"Up to now France has been more interested in markets and prices, rather than costs and charges," explains a senior aide to Mr Puech. "With the common agricultural policy and Gatt decisions on markets and prices, we are for the first time taking a serious look at how to reduce our costs and charges."

Among the structural inefficiencies in French farming pinpointed by both the ministry and the main farming union, the FNSEA, are:

● A fiscal system that taxes farm sales as well as farm incomes, and a land tax that bears disproportionately on farmers raising relatively small numbers of cattle or sheep on relatively large tracts of poor land.

There is also a persistent social security problem. Most of the government's special FFr3bn (£345m) aid last year was to help older farmers, or their widows, to catch up on their social security insurance arrears. "We still need several billion more francs here," says the FNSEA.

● Over-lavish services and infrastructure offered by co-operatives that are no longer appropriate for their members in the new, leaner era.

Grain co-operatives tended to dot the landscape with mini-silos, while the evidence is that many farmers would now prefer to make the longer haul with their harvest to a central silo if that would give them a better price or more efficient and rapid marketing. Likewise in livestock, farmers have relied on co-operatives to take their animals to market for them, while now many would prefer to save on this and take their animals directly to auction.

● The absence of a corporate structure to most farms. This is most sharply felt when it comes to inheritance – French law requires that all estates be equally divided among children.

The upshot is that a new farmer has to buy out the stakes of his siblings, amounting to a heavy tax at the start of his career. A corporate system would allow the non-farming members of a family to retain their shares, which could in turn be used as collateral to buy a house or whatever elsewhere.

● Legal and tax problems for farmers in working part-time outside agriculture. The French "fisc" does not tax favourably income from such outside activities, while the state accident insurance system gives farmers no cover outside their main business. In addition, there is more scope for local authorities in mountain and tourist areas to employ farmers to clear ski and hiking trails.

Any remedies, financial or legal, for these structural inefficiencies are clearly within France's national prerogative in the framework of the CAP. Any fears that France might be about to exploit the current trend towards subsidiarity in the European Union, "renationalise" parts of the CAP and give French farmers an unfair advantage over their EU partners, are unfounded, French officials insist.

But the dividing line between fair and unfair aid, in the EU context, is not always clear. A case in point is the more than FFr300m aid that Paris gave its pig farmers, chiefly in Brittany, to help them cope with a crash in prices and a 47 per cent drop in their incomes last year. This aid was to restructure the pig producers' past debt. But, partly in response to British pig farmers' complaints, Mr Rene Steichen, the EU farm commissioner has expressed concern that it might encourage further future investment by the Breton pig producers.

In fact, Paris may have other reasons to rein in this sector's rapid expansion. Brittany, with its proximity to ports and cheap imported grain, now produces more than half France's pork. Not only is there in areas such as that around Lamballe, known now as "Pig Valley", a serious risk of environmental and disease contamination, but the success of the Breton pig producers in supplying the charcuterie industry in the Midi and the Pyrenees regions brought pig farmers from those regions up to Brittany last month to protest at the "dumping" methods of their Breton counterparts.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1292-3	1314-5
Previous	1279.5-80.5	1302-3
High/low	1282	1319/1292
AM Official	1281-2	1305.5-6
Kerb close		1316-6.5
Open int.	276,559	
Total daily turnover	47,273	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1150-5	1170-5
Previous	1140-50	1160-70
High/low		1174/1165
AM Official	1144-9	1162-7
Kerb close		1170-5
Open int.	3,682	
Total daily turnover	389	

■ LEAD ($ per tonne)

Close	468.5-9.5	482-3
Previous	465.5-6.5	479-80
High/low		487/475
AM Official	472-3	485-5.5
Kerb close		478-9
Open int.	36,213	
Total daily turnover	6,874	

■ NICKEL ($ per tonne)

Close	5895-905	5950-60
Previous	5820-30	5880-90
High/low		5970/5880
AM Official	5870-5	5926-9
Kerb close		5945-50
Open int.	51,112	
Total daily turnover	14,749	

■ TIN ($ per tonne)

Close	5475-85	5495-505
Previous	5425-30	5445-50
High/low	5450	5505/5395
AM Official	5450-5	5450-5
Kerb close		5490-500
Open int.	20,065	
Total daily turnover	4,597	

■ ZINC, special high grade ($ per tonne)

Close	957.5-8.5	976-6.5
Previous	950-1	968-9
High/low		979/968
AM Official	957-8	975.5-6
Kerb close		978-9
Open int.	107,538	
Total daily turnover	16,106	

■ COPPER, grade A ($ per tonne)

Close	1868.5-9.5	1891.5-2
Previous	1858.5-9.5	1881-2
High/low	1864	1900/1872
AM Official	1864.5-5	1885-6
Kerb close		1900-1
Open int.	247,874	
Total daily turnover	43,380	

■ LME AM Official £/$ rate: 1.4760
LME Closing £/$ rate: N/A

Spot:1.4850 3 mths:1.4800 6 mths:1.4768 9 mths:1.4739

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	86.85	+0.75	87.00	86.45	233	238
Mar	86.75	+0.80	87.15	86.05	14,713	7,190
Apr	86.95	+0.75	-	-	913	4
May	87.20	+0.75	87.60	86.50	27,835	5,642
Jun	87.30	+0.75	87.25	87.25	880	12
Jul	87.40	+0.75	87.70	86.75	7,216	935
Total					61,859	14,186

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.90-378.30	
Opening	376.60-377.00	
Morning fix	376.00	254.449
Afternoon fix	376.70	258.665
Day's High	378.30-378.70	
Day's Low	375.00-375.40	
Previous close	378.20-378.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.04 6 months 3.21
2 months ....3.06 12 months 3.36
3 months 3.09

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.75	521.25
3 months	357.25	526.05
6 months	361.40	530.85
1 year	369.70	541.35

Gold Coins	$ price	£ equiv.
Krugerrand	378-381	256-258
Maple Leaf	387.45-389.80	
New Sovereign	88-91	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	376.5	-1.2	378.3	375.7	102	82
Mar	376.4	-1.3	378.1	378.0	7	2
Apr	377.6	-1.3	379.8	376.2	74,503	45,307
Jun	379.6	-1.3	381.9	378.2	31,011	5,310
Aug	381.9	-1.2	383.0	383.0	5,018	308
Oct	384.3	-1.2	-	-	4,252	58
Total					148,284	61,415

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	392.5	+1.3	394.0	389.0	15,543	8,815
Jul	392.5	+1.9	394.0	388.5	3,568	826
Oct	393.0	+2.2	-	-	749	293
Jan	393.4	+2.2	391.0	391.0	505	56
Apr	394.4	+2.2	398.5	392.5	237	1
Total					20,603	9,791

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	134.35	+0.80	134.50	132.75	1,490	397
Jun	134.45	+0.80	134.75	133.00	3,274	405
Sep	134.20	+0.80	-	-	251	2
Dec	133.95	+0.80	134.50	134.50	150	-
Total					5,165	804

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Feb	517.2	-5.7	518.0	518.0	-	-
Mar	517.2	-5.8	523.0	518.0	38,117	25,445
May	520.5	-6.3	526.5	520.0	43,993	13,873
Jul	524.8	-5.8	531.0	523.0	13,816	2,445
Sep	528.7	-5.4	534.0	529.0	3,522	26
Dec	534.3	-5.2	538.5	532.0	8,506	167
Total					115,931	42,412

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	14.75	+0.34	14.78	14.28	4,408	14,770
May	14.92	+0.33	14.93	14.44	115,508	31,098
Jun	15.08	+0.28	15.10	14.69	47,938	9,914
Jul	15.27	+0.24	15.27	14.81	60,065	6,276
Aug	15.44	+0.20	15.44	15.22	24,470	2,077
Sep	15.56	+0.11	15.60	15.34	13,843	1,106
Total					425,328	78,461

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.61	+0.28	13.65	13.17	70,371	14,499
May	13.77	+0.28	13.80	13.38	28,517	4,614
Jun	13.93	+0.27	13.93	13.58	13,140	1,651
Jul	13.94	+0.14	13.94	13.79	9,132	959
Aug	14.13	+0.17	14.13	13.98	4,463	60
Sep	-	-	-	-	2,651	-
Total					132,013	21,483

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	48.10	+0.86	48.30	46.75	22,912	19,724
Apr	45.05	+0.48	45.20	44.15	45,538	10,895
May	43.65	+0.48	43.65	42.90	40,802	3,124
Jun	43.80	+0.63	43.80	42.95	24,513	2,326
Jul	44.35	+0.53	44.30	43.80	18,133	2,357
Aug	45.00	+0.48	45.00	44.40	8,614	607
Total					187,776	40,945

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	139.25	-1.75	140.50	138.50	35,366	6,552
Apr	138.50	-1.50	139.50	137.75	20,814	4,046
May	138.25	-1.00	138.75	137.25	13,425	1,458
Jun	138.75	-1.25	139.25	138.25	15,422	986
Jul	140.75	-1.25	141.25	140.00	10,036	730
Aug	143.25	-1.00	143.50	142.25	4,864	254
Total					118,622	14,385

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	2.255	+0.023	2.265	2.215	18,918	7,902
May	2.185	+0.017	2.190	2.165	12,287	1,772
Jun	2.160	+0.020	2.160	2.145	9,294	772
Jul	2.150	+0.020	2.150	2.140	9,264	755
Aug	2.150	+0.010	2.155	2.150	7,965	762
Sep	2.165	-	2.165	2.165	10,065	494
Total					116,096	13,869

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	43.90	+0.58	44.10	43.15	16,040	10,859
Apr	45.80	+0.72	45.90	44.90	37,743	7,334
May	46.30	+0.64	46.45	45.50	39,018	2,348
Jun	46.75	+0.64	46.80	46.00	16,169	652
Jul	46.60	+0.30	46.60	46.25	4,307	656
Aug	46.85	-	-	-	4,115	217
Total					128,347	22,736

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	100.50	-0.10	101.10	100.50	350	43
May	102.40	+0.10	103.30	102.50	2,086	411
Jun	102.35	+0.10	103.00	102.50	389	33
Sep	91.40	+0.90	-	-	197	-
Nov	92.50	+1.00	92.50	92.00	926	34
Jan	94.55	+1.05	94.00	94.00	355	25
Total					4,317	546

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	351/2	-4/4	358/0	351/0	47,840	24,305
May	354/4	-2/0	356/2	353/0	54,740	21,310
Jul	342/2	-3/2	344/0	342/0	88,985	19,105
Sep	343/2	-3/6	345/4	343/0	14,150	840
Dec	352/0	-3/0	352/6	351/0	19,150	1,140
Mar	352/4	-6/4	352/4	352/0	55	-
Total					224,705	68,580

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	286/6	-1/0	290/2	286/2	220,015	101,290
May	293/2	-0/6	297/0	293/0	589,170	109,105
Jul	298/2	-0/6	299/6	296/0	490,750	59,670
Sep	282/0	-0/6	284/4	281/6	110,120	3,855
Dec	268/0	-0/6	270/4	268/0	254,955	16,880
Mar	274/0	-1/0	276/0	274/0	16,385	360
Total					1,888M	291,845

■ BARLEY LCE (£ per tonne)

Mar	103.90	-0.20	103.80	103.20	292	28
May	104.25	-0.25	104.10	104.10	193	5
Sep	92.55	+0.75	-	-	119	-
Nov	94.50	+0.75	-	-	58	-
Jan	96.25	+0.75	-	-	3	-
Mar	97.50	+0.75	-	-	-	-
Total					665	33

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	683/0	+1/2	686/2	681/4	139,530	89,755
May	689/2	+1/2	693/0	687/4	278,950	138,435
Jul	692/4	+1/2	696/0	690/6	205,855	48,795
Aug	685/6	+1/4	689/2	685/0	35,630	3,275
Sep	668/4	+0/6	672/0	668/0	18,3409	410
Nov	655/6	-	658/0	654/0	119,210	13,820
Total					814,625	287,280

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	28.78	+0.24	29.00	28.58	16,882	8,596
May	28.85	+0.29	29.05	28.58	31,916	11,081
Jul	28.84	+0.31	29.03	28.60	23,874	3,859
Aug	28.47	+0.29	28.70	28.28	6,693	472
Sep	27.91	+0.21	28.10	27.80	6,021	553
Oct	27.00	+0.25	27.12	26.85	5,029	423
Total					102,805	28,683

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	194.7	-0.5	195.8	194.3	17,293	7,329
May	196.0	-0.2	196.7	195.5	28,701	7,803
Jul	197.2	-0.4	198.0	196.7	19,837	3,068
Aug	196.2	-0.5	197.0	196.0	6,976	516
Sep	194.9	-0.5	195.9	194.7	4,867	333
Oct	193.2	-0.8	194.0	193.2	2,850	146
Total					89,059	28,343

■ POTATOES LCE (£/tonne)

Mar	140.0	-	-	-	34	-
Apr	108.5	-	109.5	108.7	1,761	16
May	127.9	-	129.5	128.0	982	35
Jun	130.0	-	-	-	2	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,767	51

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1120	-5	-	-	132	-
Mar	1135	+10	1130	1125	344	12
Apr	1190	+10	1192	1185	1,352	166
Jul	1090	+15	1090	1075	527	50
Oct	1252	+2	1245	1245	243	13
Jan	1285	-	-	-	74	-
Total					2,757	241

	Close	Prev
BFI	1120	1123

Wool
The official Australian market indicator fell another 7 cents this week, to 516c/kg, but this still leaves it only 30 cents below its peak early in February. Wool prices continue to present an erratic appearance. Finer Merinos this week were irregularly lower, with considerable variations between the main auction centres in Australia for normally comparable types. Crossbreds and some border Merinos have not eased much, if at all, during the present market downturn. New Zealand was dearer, and in South Africa offerings are tailing off early in the closing stages of the selling season. Trading activity in the industry beyond the wool market itself is subdued, and prices are very competitive. The recovery from recession remains very mixed according to market sector and the country involved.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	904	-6	912	903	13,196	860
May	928	-2	934	923	21,415	1,858
Jul	935	-3	943	933	12,260	2,672
Sep	947	-2	955	944	11,260	427
Dec	961	-2	966	957	17,118	380
Mar	976	-1	981	974	25,128	2,228
Total					117,428	8,536

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1160	-1	1151	1135	823	64
May	1165	-7	1170	1155	35,568	5,949
Jul	1189	-7	1192	1180	18,334	968
Sep	1212	-5	1214	1205	8,020	185
Dec	1243	-2	1245	1242	6,078	278
Mar	1275	-5	1265	1265	8,318	1,030
Total					84,847	8,673

■ COCOA (ICCO) (SDR's/tonne)

Feb 23	Price	Prev. day
Daily	921.94	915.37
Feb 24		
10 day average	891.71	888.62

■ COFFEE LCE ($/tonne)

Mar	1216	-8	1228	1215	4,019	538
May	1229	-8	1240	1228	16,008	2,068
Jul	1230	-	1235	1226	7,948	1,159
Sep	1229	-2	1232	1226	3,359	370
Nov	1233	-1	1236	1230	3,215	198
Jan	1231	-2	1236	1230	3,994	128
Total					38,550	4,481

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	75.75	-0.60	76.10	75.50	1,315	115
May	77.85	-0.45	77.85	77.40	30,217	4,395
Jul	79.00	-0.45	79.15	78.70	7,123	534
Sep	80.30	-0.40	80.40	80.00	4,807	252
Dec	81.55	-0.38	81.80	81.30	2,811	133
Mar	82.50	-0.35	82.50	82.50	988	7
Total					47,394	5,436

■ COFFEE (ICO) (US cents/pound)

Feb 23	Price	Prev. day
Comp. daily	73.40	73.41
15 day average	72.48	72.21

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	11.19	-0.14	11.55	11.50	981	34
May	11.66	-0.10	11.99	11.80	1,469	25
Jul	12.18	-0.15	12.44	12.44	2,853	286
Oct	11.80	-0.18	-	-	135	-
Total					5,436	345

■ WHITE SUGAR LCE ($/tonne)

May	318.30	-0.20	322.50	317.50	7,324	938
Aug	316.30	-	319.50	315.00	2,958	550
Oct	298.30	-0.20	302.00	298.00	3,157	551
Dec	295.30	-0.70	295.00	293.00	118	3
Mar	295.10	-	297.00	292.00	115	224
May	298.20	-0.40	297.00	293.10	27	179
Total					13,724	2,828

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.14	-0.02	11.43	11.06	8,865	12,077
May	11.59	-0.05	11.92	11.55	80,023	13,398
Jul	11.72	-0.04	12.00	11.70	25,342	4,287
Oct	11.37	-0.08	11.63	11.35	20,549	3,214
Mar	11.28	-0.07	11.47	11.25	6,364	570
May	11.31	+0.03	11.42	11.40	651	16
Total					122,595	33,810

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	78.60	-0.10	79.50	78.40	1,513	896
May	79.35	+0.05	79.60	79.12	25,556	4,753
Jul	79.75	-0.03	80.15	79.50	11,874	2,416
Oct	75.23	+0.13	75.50	75.00	2,336	638
Dec	72.33	-0.02	72.69	72.15	10,204	1,137
Mar	73.03	-0.02	73.35	73.10	321	21
Total					51,710	9,871

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	104.50	+0.35	105.10	104.30	5,280	1,370
May	107.75	+0.30	108.35	107.55	6,550	1,633
Jul	110.55	+0.10	111.25	110.65	3,602	504
Sep	113.45	+0.40	114.00	113.45	1,379	243
Nov	115.30	+0.30	115.50	115.25	1,040	195
Jan	117.45	+0.10	117.25	117.25	1,020	124
Total					18,813	4,085

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 24	Feb 23	month ago	year ago
1793.2	1789.4	1719.7	1779.8

■ CRB Futures (Base: 4/9/56=100)

Feb 23	Feb 22	month ago	year ago
227.47	227.84	225.92	203.98

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.375	+0.800	76.575	75.775	37,888	8,005
Jun	74.650	+0.450	74.950	74.400	20,745	2,624
Aug	73.500	+0.300	73.650	73.250	12,043	1,022
Oct	73.875	+0.300	73.975	73.650	9,430	589
Dec	74.125	+0.175	74.200	73.975	1,968	24
Feb	73.800	+0.275	74.000	73.700	725	5
Total					N/A	N/A

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	49.900	+0.350	50.050	49.425	14,003	3,348
Jun	55.175	+0.150	55.375	54.825	8,086	1,463
Jul	54.525	+0.175	54.800	54.175	2,984	220
Aug	52.700	+0.250	52.975	52.400	2,507	189
Oct	48.600	+0.100	48.650	48.400	1,476	47
Dec	49.100	+0.050	49.250	49.100	1,194	29
Total					N/A	N/A

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Mar	56.525	-0.350	57.125	55.800	1,392	933
May	57.550	+0.025	58.200	56.900	4,901	2,079
Jul	57.725	+0.325	58.025	57.100	2,249	399
Aug	55.000	+0.025	55.750	54.800	441	66
Feb	59.950	+0.200	59.950	59.600	13	9
Mar	60.600	-	-	-	-	-
Total					N/A	N/A

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	56	86	23	38
1300	41	72	34	48
1325	30	59	47	60
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	70	104	26	44
1900	42	76	48	66
1950	23	54	79	93
■ COFFEE LCE	May	Jul	May	Jul
1200	60	82	31	52
1250	35	58	56	78
1300	19	41	90	111
■ COCOA LCE	May	Jul	May	Jul
900	51	69	25	34
925	41	56	40	46
950	25	45	49	60
■ BRENT CRUDE IPE	Apr	May	Apr	May
1300	-	-	22	41
1350	45	71	40	69
1400	20	57	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.71-2.78w	+0.26
Brent Blend (dated)	$13.38-3.42	+0.225
Brent Blend (Apr)	$13.57-3.59	+0.175
W.T.I. (1pm est)	$14.73-4.76	+0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$154-156	
Gas Oil	$143-144	-1.5
Heavy Fuel Oil	$81-82	+1.0
Naphtha	$134-136	
Jet Fuel	$157-159	-2.0

Petroleum Argus Estimates

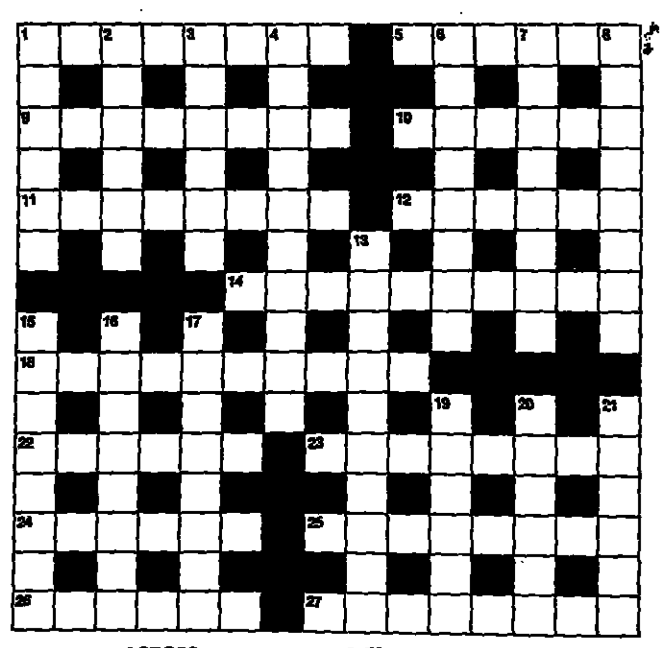
■ OTHER

Gold (per troy oz)♣	$378.10	-0.35
Silver (per troy oz)♣	520.5c	-4.0
Platinum (per troy oz.)	$389.50	-2.50
Palladium (per troy oz.)	$132.25	+0.50
Copper (US prod.)	92.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	N/A	
Tin (New York)	254.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	124.36p	-0.58*
Sheep (live weight)†♠	119.11p	-1.92*
Pigs (live weight)	78.84p	+5.01*
Lon. day sugar (raw)	$280.30	+6.60
Lon. day sugar (wte)	$329.50	+6.80
Tate & Lyle export	$302.00	+6.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£143.5	
Rubber (Apr)♥	64.75p	+0.50
Rubber (May)♥	65.00p	+0.50
Rubber(KL RSS No1 Feb)	239.50m	+0.50
Coconut Oil (Phil)§	$560.0x	-5.0
Palm Oil (Malay.)§	$370.0	-5.0
Copra (Phil)§	$365.0	-5.0
Soyabeans (US)	£198.75	+0.75
Cotton Outlook A Index	82.60c	+0.35
Wooltops (64s Super)	373p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. t Feb/Mar. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,389 Set by FETTLER



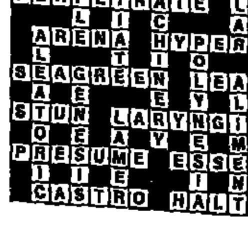
ACROSS

1 Hic!...malty brew is fabulous (8)
5 Ruddy burr has been shifted I see (6)
9 Half a shad, dipped in a jolly good tenderiser (8)
10 Must a sign of hesitation indicate failure? (6)
11 Pat and Ronny agitated to be independent (3-5)
12 Take in a girl's pain at parting (6)
14 Group eating shellfish is having a good time (10)
18 Given military medal, one Italian irregular becomes a soldier (10)
22 The archdeacon is in the diocese regularly (6)
23 Sunder apart, see! (8)
24 Take in, for the fun of it, so they say (6)
25 Record a range of tones (8)
26 Mean American, one drunk with only half of sherry .... (6)
27 ....reels and confounds (8)

DOWN

1 Period of importance (6)
2 Settle on the king's chair (6)
3 Cry of woe in an odd Greek dialect (6)
4 Put it on Bert and I'll get in as well (10)
6 Plutonium inverted? (8)
7 Novel involuntary movement that's fantastic (8)
8 Furiously charge at Rome's enemy (8)
13 Part of the watch release men on time (10)
15 Me, I got the beginnings of pimples – nasty skin disease (8)
16 Revolting Latin general invokes a reaction (8)
17 One result I managed as an employer (8)
19 A soldier in pain is summoning attention (6)
20 Fellow, holding no trumps, is covering .... (6)
21 .... the artist's crumpled suit (6)

Solution 8,388



JOTTER PAD

Stock exchange that stands grand and idle behind a black marble facade PAGE II

FINANCIAL TIMES SURVEY

KUWAIT

Oil industry rises from the ashes of the biggest fires the world has seen PAGE V

Friday February 25 1994

Three years after the end of the Iraqi occupation, Kuwait has made great strides on the road to recovery. It enjoys greater security, oil is flowing, and politics are thriving. But it has underlying problems which have yet to be addressed, says **Mark Nicholson**

An anxious reawakening

Kuwaiti father and children: the swift recovery has generated high hopes, laced with fear that they could be suddenly punctured

Kuwait is rebuilt. Its oil industry, the fountain of its wealth, is restored to pre-Gulf war vigour.

Political life has resumed and is thriving in the polished halls of the most powerful elected assembly in Kuwait's history and, indeed, anywhere in the Gulf. The state's defence is underwritten by pacts with the Gulf war allies which liberated Kuwait from seven months of Iraqi occupation three years ago almost to the day. All should be well.

But it is not. Rather than dwelling on the accomplishments of reconstruction Kuwaitis are instead looking ahead, and with profound uncertainty. The Iraqi occupation has left an economic and political legacy which Kuwaitis are beginning to address only now that the basic tasks of rebuilding are complete.

Two factors above all have conspired to raise troubling questions about the future. The first is the sheer financial cost of the war, which rudely tugged away the previously deep cushion of wealth which allowed Kuwaitis to enjoy one of the world's most generous welfare states.

Kuwait's greater dependence on oil revenues since the occupation ravaged the non-oil sector, and the prospects of low crude prices for the foreseeable future, have sharpened questions of how – indeed whether – Kuwaitis can continue enjoying the panoply of cradle-to-grave benefits most have come to regard as a birthright.

The political effects of the war are more complex, but strike at the heart of how Kuwait will manage a transition to life in reduced circumstances. Popular demands for greater democracy in Kuwait which Sheikh Jaber al-Sabah, the emir, was forced to meet after the war resulted in the election in October 1992 of an opposition-dominated National Assembly, the first to be elected since the emir dissolved the previous assembly in 1986.

The new parliament has ever since been diligently nibbling away at the ruling al-Sabah family's governing power. But the resultant tug-of-war between a parliament intent on proving itself indispensable to the proper governance of Kuwait and a ruling family reluctant to cede too much of its historical authority has led to a crisis of leadership. Kuwait's uncomfortable dilemma is that this crisis threatens to create a political impasse just when the state's economic problems are demanding tough, immediate decisions.

Away from this continuing political tussle and the uncertainties it has provoked, however, Kuwait can point to some considerable and concrete post-war gains. For example, although its $11.7bn rearmament programme is unlikely to make Kuwait much more defensible than it proved in 1990, defence pacts with the US, Britain, France and Russia have provided a far more overt and less ambiguous security framework than existed before the war.

On the domestic economic front, Kuwait's commanding institutions have weathered grave crises and emerged arguably more strongly and accountably managed. In the oil sector, for instance, Kuwait has not only been able rapidly to resume pre-war output of more than 2m barrels a day, but has stubbornly battled back to what it considers its rightful oil allocation and position of power within the Organisation of Petroleum Exporting Countries. The industry is now proceeding with plans to increase capacity above 3m b/d to position Kuwait for future Opec haggling and, perhaps, oil market opportunities as they arise.

The Kuwait Investment Authority, custodian of an overseas investments portfolio which remains Kuwait's second biggest source of income, has also regained confidence after the shock of its fire-sale of holdings to fund the war and the embarrassing revelations of alleged corruption and mismanagement in its Spanish investments.

Mr Ali Rashid al-Badr, the KIA's post-war managing director, is reluctant to discuss alleged scandals, which he says are a matter for courts in Spain and London where former Kuwait Investment Office managers are facing civil and criminal charges: "The Spanish affair I put behind me more than a year ago," he says.

Instead, KIA managers point to a bumper year in 1993, when buoyant world markets earned a 20 per cent return on its residual investment portfolio of around $35bn-$40bn.

Another success lies in last year's agreement on plans to settle the 12 year-old problem of KD5.5bn worth of bad debts left, primarily, by the 1982 collapse of the unsupervised Souk al-Manakh stock market.

But the most striking achievement since the war – though not all of Kuwait's ruling elite may see it so – has been the full-blooded return of democratically based politics in Kuwait.

In the context of feudal Gulf politics and even of Kuwait's own historically feisty political tradition, the National Assembly's accomplishments in little over a year have been startling.

Parliament has doggedly negotiated new laws protecting public funds; it has for the first time won access to the accounts of all government-held companies; it was the driving force behind settlement of the bad debt problem. Perhaps most remarkably, in the face of strong ruling family pressure it forced the trial before a criminal court in Kuwait of Sheikh Ali Khalifa, the former oil and finance minister facing charges of embezzlement from the state-owned Kuwait Oil Tanker Company.

Parliament is, says Mr Jassem al-Saddoun, an economic adviser to the assembly, now "supervising the government in every sector". He and others in the assembly are confident other victories lie ahead – like having the government reveal defence spending on its published budget for the first time, where it can then be debated, and perhaps even cut.

But just such creeping parliamentary power, particularly in economic affairs, is contributing to Kuwait's present uncertainty. The Kuwaiti exchequer, drained by post war spending of perhaps $100bn, facing possibly prolonged weakness in oil prices and in the next two years saddled additionally with annual repayments exceeding $2.7bn on post-war borrowing, is felt by the finance ministry, the central bank and the KIA to be under unsustainable pressure.

Each has been issuing recent statements to the effect that government spending has to be cut, revenues raised, or both. "We have to have austerity measures, this is inevitable," says Mr al-Badr.

Such talk in boundlessly cossetted pre-war Kuwait would have been unthinkable. The difficulty is that the previously unthinkable may also prove unpassable. The National Assembly has already voiced strong resistance to any suggestions of foreign investment in the banking sector, raising emotional cries of "neocolonialism". And few observers, in parliament and outside, believe popularity-conscious MPs would readily endorse measures which might affect public sector salaries (96 per cent of employed Kuwaitis work for the government), or raise the prices of power or water.

The prospect of a government-parliament impasse over such crucial economic decisions is a source of deep frustration among many Kuwaitis – particularly among merchant and business leaders who argue they can make few commercial decisions until there is a firm determination of economic policy. At present, says Mr al-Saddoun, "there is no economic policy whatsoever".

But political leadership is in short supply. Parliament is so far largely incapable of creating policy, lacking either the resources or expertise. Moreover, it regards its role, for the present at least, essentially as a watchdog.

The government itself, led by Sheikh Saad al-Sabah, the crown prince and prime minister, has in the view of a growing number of Kuwaitis proved itself capable only of paralysing attempts at consensus-building.

As Mr Abdulla al-Nibari, an opposition MP, puts it: "All of Kuwait's savings will have to dry up before we face the problem. It will take that."

IN THIS SURVEY

☐ *PHOTOGRAPHS:* GUSTAVO FERRARI

Mark Nicholson examines the reactions to spending cuts in a welfare super-state

The unfamiliar taste of austerity

Some unfamiliar calls – in Kuwait at least – have recently been emanating from the finance ministry and central bank. They are calls for sacrifices, belt-tightening and austerity, and they are being couched in uncommonly pointed terms.

The Emir of Kuwait: when the featherbedding had to stop

Mr Nasser al-Rodhan, the finance minister, last month spoke of reform measures requiring "sacrifices on all levels" and the "urgent need" to undertake "structural" changes to government spending. He suggested Kuwait should look to cut spending in its 1994-95 budget by 20 per cent.

Sheikh Salem al-Sabah, the governor of the central bank, amplified such thoughts. "I'll be after more than a 20 per cent cut in spending," he said. "The problem is the structural imbalances in the budget."

What is unfamiliar about such talk is, first, that it is being uttered at all. This is a result of the fact that soft world oil prices, the fiscal legacy of the Gulf war and reconstruction after it, the impending repayment of Kuwait's foreign debt, big arms purchases and towering recurrent costs in the government's accounts have combined to put an unsustainable squeeze on state coffers.

So tight is the squeeze that Kuwait's government now feels forced to signal the abandonment of its time-honoured role as unblinking provider to one of the world's most featherbedded welfare states, and raise the alarm.

But it is also new for the government to feel it has to issue such signals so publicly. It is doing so because it is preparing the ground for what looks set to become the most contentious and difficult budget debate in Kuwait's history.

In April, when spending cuts and service fee increases are expected to be included in Kuwait's 1994-1995 budget proposals, they will have to be approved by the opposition-dominated National Assembly. The government appears to believe, with some justice, that Kuwait's newly empowered MPs will need a good deal of softening up before they can be convinced to pass measures which, for the first time in Kuwait's recent history, will promise an overall erosion of the state's plethora of benefits.

The case for some belt-tightening is pressing. Kuwait's official budget – which omits defence spending, debt repayments and investment income – for 1993-94 envisaged a KD1.5bn fiscal deficit. This is already off track.

According to Mr al-Rodhan, the budget deficit already stood at 67 per cent of the projected total for the June-July financial year at midpoint in January. Moreover, the initial budget estimates were based on projected oil revenues, comprising 89 per cent of total government income, and assumed output of 1.75m barrels a day at $14 a barrel. Weak oil prices since have forced the government to revise this basis to $10.5 a barrel on output of more than 2m b/d – which implies a considerable cut in income.

As good luck, and some good management, would have it, Kuwait appears likely to be able to finance the 1993-94 deficit from its own resources. Domestic treasury bill sales will fund part of the gap, but the lion's share is likely to come from the investment income of the Kuwait Investment Authority, which oversees Kuwait's still substantial overseas investments portfolio. Although Kuwait's holdings of just under $100bn were slashed to between $35bn-$40bn to pay for Gulf war costs, the world's buoyant equity markets over the past year are understood to have given KIA a return of at least 20 per cent on these holdings for 1993.

But the real problems lie in the next two to three years. In 1995 the government is due to start the first principal repayments on the $5.5bn jumbo loan it took out on international markets to tide it through its immediate post-war needs.

This will immediately add commitments of at least $2.7bn both in 1995 and 1996, commitments which, says Sheikh Salem, Kuwait will certainly meet. Since Kuwait cannot easily bet on firmer oil prices – particularly with the prospect of an eventual return of Iraqi oil on the horizon – or continued bullishness in world equities, the government has little choice but to tighten control of spending and revenues at home.

Government committees are understood now to be examining what measures can be taken. Nothing definitive has yet been tabled. But the finance ministry and central bank are making it known that the government wage bill, which accounts alone for 52 per cent of total spending, is under review, as are the quite enormous subsidies on power and water. Defence spending, which to date has been kept firmly off budget, might also be hauled in for reconsideration. Only the latter is likely to win much sympathy from the National Assembly.

But while the government wrestles to control its own financial problems, it is forced also to consider those of Kuwait's despondent private sector – which historically has depended almost entirely on government spending to sustain it. According to Sheikh Salem, Kuwait's non-oil economy has shrunk by 33 per cent since before the Gulf war.

The public sector is unlikely to grow for the next two or three years

The causes of this shrinkage are manifold. They include the effects of war damage, the decline in domestic markets as a result of Kuwait's policy of reducing its population, the banks' reluctance to commit credit to businessmen until Kuwait's "difficult debt" programme is definitively resolved and, perhaps as much as anything, a crippling lack of confidence among Kuwaiti investors themselves.

The private sector will be hard for the government to ignore, since otherwise there is little prospect that Kuwait's economy will be capable of absorbing the additional 5,000-6,000 Kuwaitis who enter the labour force every year. The bloated public sector, which already employs 96 per cent of all employed Kuwaiti nationals, is not set to grow in the next two to three years, whatever the oil price does, and cannot conceivably absorb efficiently the new cohorts of young Kuwaitis.

Faced with a lack of initiative from domestic investors, the government has therefore turned to foreign investment as a potential palliative, and is entertaining with increasing seriousness the prospect of privatisation.

Kuwaiti armoured units face Iraq: defence spending will keep rising

The government's offset programme (*discussed on page IV of this survey*) has already won hundreds of millions of dollars of foreign investment commitments, though as yet few firm projects. The government is also cautiously discussing the possibility of inviting foreign investment in the banking sector and small parts of the domestic downstream petroleum industry.

But Kuwait's caution towards foreign investment – it is a highly emotive topic among parliamentarians – places it at a considerable disadvantage in the Gulf where places such as Dubai, Bahrain and Saudi Arabia have long since introduced packages of incentives for foreign investors including free zones, tax breaks and subsidised finance. Tax on foreign companies in Kuwait, as an instance of comparison, presently stand at a highly discouraging 55 per cent.

A programme of privatisation is also being considered, within the framework of a lengthy World Bank study which concluded that Kuwait has little choice but to divest itself of state holdings if it is to create an environment of economic growth, let alone get its own financial house in order.

Some early steps are being taken. By the end of this year, the pioneering telecommunications ministry expects to be in a position to float 51 per cent of the telephone system in a public offering. The KIA is studying the divestment of its holdings in more than 60 Kuwaiti companies, most of them picked up during the state mop-up of debts following the 1982 stock market crash.

But it is early days for the privatisation programme and a considerable amount of preparation is required before local or foreign investors are likely to want to bite. And all such preparation is liable to provoke political opposition. Sales of public utilities or aspects of the health services would require a rise in service fees, which would face strong opposition. Privatisation itself would almost certainly require short-term job cuts in what are presently cossetted public sector areas.

Little wonder, with such prospective political battles ahead, that the government is sounding shriller about Kuwait's economic straits.

The Kuwait stock exchange has its limits, says **Robin Allen**

An investment backwater

Here is the good news: according to official figures, the 1993 average daily volume of share transactions of the 47 companies listed on the Kuwait stock exchange was 13m-14m with an average daily value of $11m. In terms of both value and volume, these figures represent twice those recorded in 1989, the last full year before the Iraqi invasion of August 1990.

Here is the bad news: in 1989 the Kuwait stock market was almost moribund, moving barely one per cent. The government owned more than 50 per cent of all the listed shares. Today, through the Kuwait Investment Authority and other agencies, it owns, according to Mr Hilal al-Mutairi, director-general of the Kuwait Chamber of Commerce and Industry, over 45 per cent of the total market capitalisation of some $11.5bn. KIA alone owns 20-25 per cent of the market, according to its managing director, Mr Ali Rashaid al-Bader.

If the government tried to get rid of its shares to the private sector given the present levels of turnover, it would take many years if the market was not to collapse, according to one accountant. In 1989 some 70 per cent of all daily trading was in six bank stocks out of the 42 different companies spread across eight sectors. This year, in the week ending February 9, the banking sector, comprising stocks of eight banks, accounted for 63.8 per cent of total traded value, according to Alshall Economic Consultants.

These eight banks collectively represented 46.2 per cent of traded volume. The trading in just two banks, National Bank of Kuwait and Kuwait Finance House, represented 52.3 per cent of all traded value.

In short, the market is almost irrelevant as a barometer of economic health or as a source of new money.

According to a Kuwaiti industrialist, people are holding on to their money, waiting to see whether the government is actually capable of pushing through a privatisation programme and deregulating the economy.

"I feel as though we are sailing on a ship with no compass," said the industrialist. "The government has no plan except to set up more committees. We are lost with all these committees."

But there was also a good side. "There are plenty of good Kuwaitis, intelligent and hard-working, who know what needs to be done, but who are forced to wait for a government which can't apply itself. Privatisation cannot be applied by bureaucrats. I have never seen, in a third-world country which ours is, a government employee willing to leave his office on someone else's behalf."

The private sector possibly has more than $60bn abroad, perhaps half that of Saudi Arabia, a businessman with 17 years experience in Kuwait suggested. "But for what would the private sector repatriate its funds? Only for the opportunity to make more money at home."

There is only one listed company, Mobile Telephone Systems Co., 49 per cent of which is owned by the public, whose shares are actively traded – 5.2 per cent of volume and 13 per cent of value in the first week of February – which is likely to attract the attention of investors.

So far it fulfils all three criteria for a successful public issue. These are, suggested Mr al-Mutairi, timing; state of the market and profitability of the company; and quality of management advising the privatisation programme. But the most important element is the government's political will. In the case of Mobile Telephone Systems Co, it appears to be present.

By contrast, Kuwait Airways Corporation, another candidate for privatisation singled out by a government-appointed committee which this month made its recommendations to the finance ministry, does not fulfil at least one of the three basic criteria. On top of which one businessman said: "I doubt whether any airline in the region is genuinely profitable in a full commercial sense."

But the government may be forced to privatise at moments not of its own choosing. Keeping nationals in government jobs has simply become too expensive.

It takes some 70 per cent of the annual national income – and some 75 per cent of gross domestic product according to the Central Bank governor Sheikh Salem al-Sabah – to pay public sector wages and salaries to Kuwaitis, 93 per cent of whom work for the government. Moreover, 6,000-7,000 nationals join the labour market every year.

But the government's inertia is not the only problem. The national assembly is suspicious of any shake-up which might attract non-Kuwaitis at the expense of nationals.

In the meantime, the stock exchange stands idle, grand and gaunt behind its black marble facade, waiting for serious business.

The government's credibility is at stake over settling the debts incurred by investors in an unregulated spree from 1976 to 1982.

The next real test in what is known as the Difficult Debts Settlement Programme will come after March 31.

Robin Allen describes the disastrous legacy of six years of gambling on an unlicensed stock exchange

The strange tale of Souk al-Manakh

The "difficult debts" were incurred by "investors" on the unofficial – and officially illegal – stock exchange which was housed on two floors at the bottom of a multi-storey car park called the Souk al-Manakh. There, for six years from 1976, the temptation to gamble through a system of post-dated cheques in Kuwaiti and Gulf off-shore companies which could not get a listing on the official market, proved too strong for thousands of Kuwaitis.

Other Gulf nationals, particularly in Bahrain and the UAE, were also ensnared by the evergreen market: until it all burst, in August 1982, when a few sceptics unsportingly cashed in their cheques and caused the whole paper structure to crumble overnight. The gross debts amounted to KD27bn ($92bn). In the anguished tally that followed, many of the cheques cancelled each other out, leaving a net indebtedness of some KD7bn ($23.5bn).

But the underlying credibility problem for the government reverts to 1976 after the government of the day had dissolved the national assembly. In the aftermath of dissolution, and in an attempt to divert public indignation, the government turned a blind eye to the early beginnings of the Souk al-Manakh.

It then created an unfortunate precedent when, a year later, it paid out KD155m (more than $500m) to people who had lost money in the mini-depression of that year. This single act instilled in a generation of Kuwaitis the notion that if they got into financial difficulties, the government would help them. Over the years this notion developed into a conviction that, in times of private sector difficulties, the government had a duty to step in and bail them out.

Among the thousands of Kuwaitis who suffered were several members of the ruling Al-Sabah family from the prime minister downwards. This factor too, now has serious implications for the government's credibility.

A few debtors from the 1982 crash started to settle their debts in 1986. The previous year the national assembly had been dissolved again, not least because it had forced the resignation of the then justice minister, a member of the Al-Sabah family, for his role in the Souk al-Manakh disaster.

After dissolution the government stepped in, through the Central Bank, to initiate what is now known as Difficult Debts Settlement Programme 1 (DDSP1). Under this scheme, debtors were offered a 15-year pay-off period. If, as some say, this is largely a red-herring now, it is still a fact that big debtors today are using the terms of DDSP1 as a rationale for dragging their feet.

In July 1992, three months before the October elections by which today's national assembly came into being, the government issued Law 32, by which it bought out KD5.9bn ($19.7bn) of personal and corporate debt from the private sector in return for debt bonds issued to the commercial banks. The law took effect from August 1992.

The banks took advantage of this to unload all their unwanted loan assets, most of which was money lent to clients for the Souk al-Manakh. Some of the indebtedness, for example a KD400m real estate portfolio on the books of Kuwait Finance House which the KFH has to repurchase within 10 years, were depreciated investments; and some were personal borrowings incurred during the Iraqi occupation of Kuwait. But according to the central bank governor Sheikh Salem al-Sabah, some KD5.1bn ($17bn) reverted to the Souk al-Manakh.

The full list of debtors and what they owe has never been published

There are now, according to Sheikh Salem, a total of 9,549 debtors under the present settlement programme. Of these 1,146 are liable for more than 90 per cent, or $15.3bn, of the total $17bn. Many bought property or liquid investments outside the country, on credit, at the height of the Souk al-Manakh boom, and are now reluctant to disclose these assets. They are even more unwilling to repatriate them to pay their debts.

The other 88 per cent of the debtors, who number just over 8,400, are the so-called "small debtors", most of whom owe KD500,000 ($1.7m) or less.

Not all debtors are individuals. Some are companies and some of these are owned by the state. The full list of individuals and the amounts each owes has never been published.

The settlement programme now operating is based on Law 41 of 1993, passed by the national assembly on August 31. It took effect one week later, on September 6.

Debtors are given two options by which they can repay: cash payments or a rescheduling over a 12-year period at equal annual installments. It is still generally hoped that the vast proportion of small debtors will choose the first option. This would greatly simplify collection of the other 90 per cent of the total outstanding from the major debtors.

The deadline for debtors to decide on their preferred option and to complete the necessary documentation is March 31, 1994. The country's six commercial banks have been put in charge of managing the programme under the overall supervision of the Industrial Bank of Kuwait. The banks will also be held responsible if there are deficiencies in the mechanics of debt-collection.

By March 31 each debtor should have collected all the necessary documentation from the bank of his choice; have had the documents authenticated and notarised by the ministry of justice or a notary public; and have returned these to the bank. The penalty for not complying is exclusion from the settlement programme, and the debtor would then be told – by the court in theory – to pay in full plus interest, as from August 1, 1990, the day before the Iraqi invasion.

According to Sheikh Salem, the banks in their capacity as collecting agents are by law obliged to send the names of delinquent debtors to the justice ministry. It is left to the courts, with the executive authority of the cabinet, to implement the law, which, according to Sheikh Salem, will be enforced regardless of the position or the identity of the individual. "If the banks do not implement their part, they will be punished," he said.

There is, however, no clearly defined legal entity to oversee the application of the law. The national assembly which passed the law, is not an administrative body, and in any case, as one Kuwaiti remarked, "is hardly a disinterested group". The Central bank is barred from administering the law, so by default the banks have to do it.

If the biggest debtors fail to settle, the political fall-out will be damaging

The arithmetic of the settlement programme is easy enough - and generous in the extreme to those who choose the cash option.

Under this first option, debtors get a partial write-off followed by repayment of the balance over two years starting, according to Sheikh Salem, from September 7, 1993 – one day after the law came into effect. The initial write-off depends on the size of the debt. As the size of the debt increases the scale of the write-off goes down.

The balance must be paid within two years from September 6, 1993, when the law came into effect. Those who pay their debt in full by the end of the second quarter of this year will receive an extra 4 per cent discount. This bonus rate decreases by 0.5 per cent for each successive quarter. To get the full 4 per cent a debtor needs to have been paid in full by December 6, 1993; the second quarter ends on March 6, 1994, and so on.

Under the second option – to repay on equal annual instalments over 12 years – an 8 per cent discount on the total amount is allowed for early repayment. The annual installments are fixed by the Central Bank on the basis of the outstanding amount with no interest charged.

Sheikh Salem said the total amount to have been repaid up to January 20 this year by some 2,000 debtors was KD117m, which allowing for the applicable discounts, accounted for KD337m, or 6.6 per cent, of the total debt outstanding.

Accountants say there are still some uncertainties in the financial analysis of the choices, but these only concern the exact timing of the instalments under the 12-year option.

More serious is the sentiment among many businessmen. They have reservations which reflect the general low esteem in which the government is held. Some debtors, the larger ones or their representatives, are pressing for easier terms. They say that large assets sales to refund their debts will trigger a collapse in values, on the stock exchange for example. They insist that although the government claims to be offering two options, in reality there is only one. The second option, they claim, is punitive, because the repayment period is too short. It should be 20 years, not 12.

They are supported by those who maintain the first settlement programme, initiated in 1986 with a proposed 15-year pay-back period, is still valid; and that was before the trauma of Iraqi occupation and the extra indebtedness incurred as a result.

Many of those now objecting probably do not intend to pay or do not believe the government can force them to pay – or simply reckon that the government will buckle under pressure and ask the national assembly to change the law.

The official position is that the government will neither revise nor review the bad debts law. In reality, the government is holding its breath.

If the biggest debtors set an example and climb on to the settlement bandwagon, much of the government's credibility will be restored. If not, then the fall-out will be damaging politically as well as financially.

■ BANKS

Over-protected species

One of the more archaic laws in Kuwait's commercial code is a three-year suspension of trading in shares of any company, including banks, that wants to merge while listed on Kuwait's stock exchange, writes ROBIN ALLEN.

To be fair, this law – and a separate one which specifically bars banks from merging – is due to be repealed. According to Mr Ismail al-Shatti, the head of the national assembly's finance committee, the bills have passed the committee stage.

Merging, in Kuwait's over-banked stock market, is possibly the only way for the weaker members of the banking community to regenerate themselves. That was the thrust of the message delivered at a seminar last November by Mr Yousef al-Awadi, general manager of the London-based Kuwait Investment Office. "The time has come for some of the banks' shareholders and management to forego....short-term self-interest and instead focus on the long-term corporate survival of their organisations." The only way to cut costs was to get rid of redundant employees and branches, he said.

Ismail al-Shatti: the national assembly will facilitate mergers

His argument has widespread support. The biggest problem confronting the banks' domestic sector is now a simple lack of opportunities rather than the Souk al-Manakh debt burden of previous years. This was eased with the government's purchase in August 1992 of almost $20bn worth of private sector indebtedness in return for debt bonds.

The case for having fewer banks is unassailable. The domestic market is flat with lending opportunities confined to some trade financing, guarantees and working capital. Central Bank figures for last October show that the total assets of the nine commercial and specialised banks was down from the previous year, at KD8.5bn ($28.5bn) compared with KD8.94bn at the end of October 1992. The only growth prospect is consumer finance among Kuwait's 1.6m population. Here it is very competitive, with two banks, National Bank of Kuwait and Gulf Bank, leading the pack.

The six commercial banks are of widely varying quality in what is often seen as a three or four-tiered banking system. National Bank of Kuwait is in a league of its own in terms of strength of capital and reserves, and a quality management allowed to get on with the job by a hands-off board and shareholders who have put in place a coherent strategy for the management to target. It is the only Kuwaiti bank of real international calibre, retaining the largest international presence and holding more than 40 per cent of all Kuwait's bank deposits.

Its 1993 results further strengthened its lead. Net profits were up 23 per cent to KD52m ($175m), almost three times the level of its nearest rival, Gulf Bank. NBK's total assets were up 28.4 per cent at KD8.3bn, and the bank maintained a capital to risks ratio of more than 20 per cent.

The second tier would consist of Gulf Bank – and some would say Burgan Bank as well, though Cyprus-based analyst Capital Intelligence says that "while NBK is in a class of its own, Gulf Bank is better positioned for success than any of its peers". Burgan Bank is more of a state-owned institution with the government owning a majority of the shares.

Capital Intelligence last summer raised Gulf Bank's long-term rating from BBB+ to A on the strength of its 1992 results. The 1993 figures released on February 9 have vindicated CI's assessment. Gulf Bank increased 1993 profits by 22 per cent to KD18.2m ($61.1m) compared with the previous year. Total assets were up 7 per cent to KD1.25bn ($4.2bn), of which some half was in government debt bonds; cash, short-term funds and treasury bills 30 per cent; loans and advances just under 20 per cent. These last were up 47 per cent to KD237m, mostly from international lending. Any increase in domestic lending was at the expense of the other four commercial banks.

The three banks most frequently mentioned as "merger candidates" are Al-Ahli, Bank of Kuwait & the Middle East, and Commercial Bank of Kuwait.

Although the government is a majority shareholder of both Burgan and BKME, the central bank governor Sheikh Salem al-Sabah made clear in a February 9 interview that he would not force banks to merge. Any decision of this nature, he said, would have to be taken by their boards.

The prospect of finding a foreign partner is remote. Foreign banks are unlikely to put their feet into Kuwait's stagnant waters even if a proposal to let foreign companies acquire up to 40 per cent of Kuwaiti companies were to be approved by the national assembly. Judging by the emotional response to this issue in a debate on February 9, it will be a long time before Kuwait's parliament comes near to approving such an idea.

Robert Corzine on how the state oil company is striving for efficiency and cooperation

Goodbye to narrow nationalism

Kuwait was at the forefront of the drive in the 1970s by oil producers to wrest control of their industries from foreign concession holders.

In the 1990s Kuwait may prove to be a pioneer in the process of reshaping often bloated state oil companies along the leaner lines of their private sector counterparts. And it may do so in partnership with foreign companies.

The beginnings of what could evolve into a radical departure in oil policy come after two decades in which Kuwait built up a fully integrated, state-owned industry. Subsidiaries of the Kuwait Petroleum Corporation, the holding company at the centre of the sector, are involved at all stages of the industry's "value chain", from crude oil production to refining, petrochemicals, retail marketing and shipping, both in Kuwait and abroad.

The structure, modelled on that of the big integrated oil majors, has helped to even out revenue flows. Refining and marketing, for example, are traditionally able to achieve higher margins during periods of low oil prices.

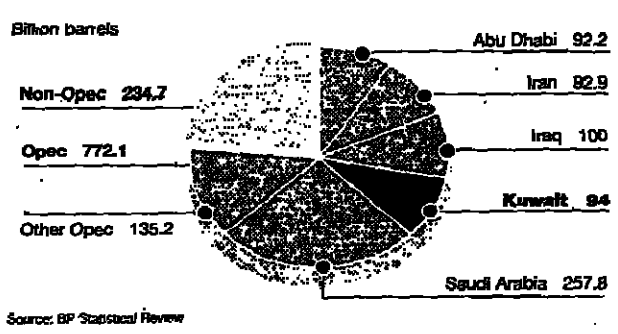
Kuwait's low cost of production, estimated by Western experts to be as little as 70-80 US cents a barrel, is an added advantage. In the past it has offset to some extent the inefficiency associated with chronic over-manning of the sector.

But just as the Kuwait government is having to think about ways to reduce the welfare state, the highly cosseted oil industry is having to think about how it will adjust to growing world competition in an era of relatively low prices.

Low production costs cannot be the only measure of the industry's efficiency, according to Mr Nader Sultan, the new deputy chairman of KPC and until last November the former head of its international operations in London.

He believes the main challenge facing the sector is the need to adopt the best practices of international oil companies, but to do so within the restrictions imposed by the company's social obligations as the country's single-largest employer and most politically-sensitive industry.

Distribution of oil reserves 1992



Source: BP Statistical Review

Mr Sultan acknowledges that "sometimes it feels as though I am being pulled apart" by conflicting forces, although he is optimistic that a politically-acceptable way forward can be found.

The privatisation of some KPC assets is central to the drive for efficiency, he says. The first step is still being debated, but it is likely to be the sale of domestic service stations. Other activities such as the domestic distribution of LPG cylinders and shore-based support services for visiting tankers could follow.

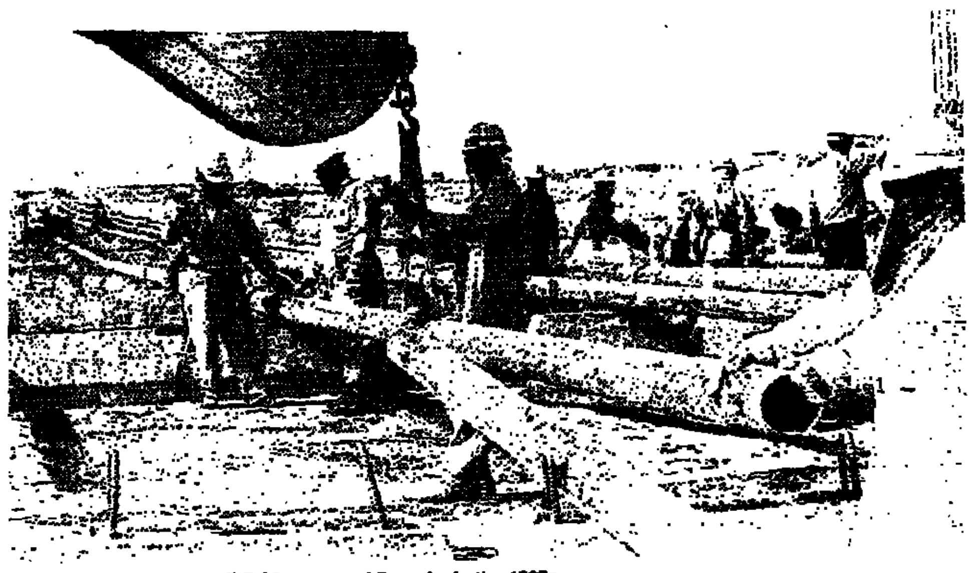
Outside investors might also find an early role in Kuwait's fleet of oil and refined product tankers.

The sale of refining operations is less likely. "We would have a problem if a potential partner said let's have a joint venture at an existing refinery, he says. "What real advantage could they bring? But starting with a clean slate is different."

Likewise, he sees no prospect of selling off well-developed production assets such as part of the giant Burgan oil field. But future foreign involvement in the exploration and production of undeveloped reserves is one of the main issues in a wide-ranging internal debate over Kuwait's future oil policy.

At present foreign involvement is confined to technical assistance contracts such as the one held by British Petroleum. Amoco and Chevron are discussing similar arrangements, which some Kuwaitis believe could evolve into broader cooperation, including joint ventures.

Mr Sultan, however, believes much can be done to improve efficiency in the industry before "we bring in foreign partners". But partnerships may be essential to maintaining the momentum of an efficiency drive, he adds. There would also be substantial technical and administrative advantages to partnerships, according to western industry executives.



Rebuilding the northern oil fields: a new philosophy in the 1990s

Foreign involvement would also lessen the costs of raising sustainable capacity to 3m barrels a day, 1m b/d more than Kuwait's present quota from the Organisation of Petroleum Exporting Countries. Mr Sultan says the higher figure is equivalent to the long-term market demand for Kuwaiti oil.

Industry observers say it would also boost Kuwait's bargaining power in Opec, as well as allow it to respond to any sudden shortfalls in world markets.

Specific areas which might be opened to exploration include potential offshore fields as well as parts of western Kuwait, near the Iraqi border. The presence of western oil companies in such militarily sensitive areas is seen by many Kuwaitis as a way to enhance their long-term security. It might also counteract nationalist arguments against foreign participation in oil production. In addition any agreements with foreign companies are likely to be production sharing deals rather than the concessions which Kuwaitis associate with the colonial era.

Mark Nicholson explains how Kuwait uses arms purchases to win inward investment

Offset rules sustain the local market

Kuwait has high hopes of its offset programme. The requirement that defence contractors re-invest a nominal 30 per cent of the value of their deals in new Kuwaiti joint ventures is, for example, expected in the short term to provide the biggest source of foreign investment in an economy which has seen little of it since the Gulf war.

The government also sees its offset programme as among the best of few available tools for regenerating Kuwait's private sector, which has also invested little of its own money in the state since the war. The programme appears to offer the best hope of introducing new technology and training opportunities into the country. The government also expects it to provide new products for export.

Finally, but probably as important as any economic benefits, the government hopes the offset programme will provide the country with a strategic bulwark. "If we have foreign interests inside the country," explains one offset official, "this will obviously help the government get strategic help if it ever needs to ask for it again." The offset programme is thus expected to double Kuwait's strategic gain from its defence dollars, buying both weaponry and a sort of "human shield" of foreign investments and investors.

The catch in what otherwise appears an elegant one-off solution to many of Kuwait's most pressing post-war needs, however, is that the Gulf state's multi-billion-dollar rearmament programme is obliging defence contractors to come up with hundreds of millions of dollars worth of re-investment projects, and it is unclear where such big opportunities lie. Kuwait's non-oil sector was not highly developed before the Gulf war and has shrunk considerably since. The juiciest parts of the oil sector itself lie, for the present at least, quarantined from foreign investment.

In addition, since the offset programme requires foreign investors to find joint venture partners to hold 51 per cent of any project, the plan assumes that incoming companies will awaken local investors to projects they have somehow missed. But as one offset-seeking executive puts it: "Kuwaitis have been investing themselves in what opportunities there are in this country for the last 40 years. This is a very well ploughed field indeed."

The architects of Kuwait's offset programme were well aware of these limits to Kuwait's ability to attract and absorb investment and have accordingly designed what many defence contractors consider among the most flexible of such schemes in the world. A unique feature of Kuwait's programme, for instance, is that it will permit offshore joint ventures with Kuwaiti partners to count against the offset requirement: re-investment in other Gulf countries, the Arab world or anywhere else are acceptable, in that order of preference. Neither do defence contractors have to make the re-investment directly. To satisfy the programme's requirements, they need only introduce the investment to Kuwait – though they would retain overall responsibility for its performance.

> The biggest source of new foreign capital is expected to come from the requirement that defence contractors invest a nominal 30 per cent of the value of their sales in new Kuwaiti joint ventures

For domestic investment, which is the government's priority, the scheme also includes a series of multipliers designed to encourage investment in preferred sectors. Investment in education, management, training or manufacturing, for example, earns a multiplier of four, so that a $1m investment in these areas counts as $4m against the offset obligation.

Assembly, processing or partial manufacturing projects earn multipliers of three. Investment in services earns a multiplier of two. "The plan is designed to reflect government priorities rather than to force investment towards them," says an offset official. But even given these incentives, the scale of investment obliged under the scheme is forcing defence contractors to search with considerable imagination for new projects. Proportionate to the sum of defence contracts already awarded by the Kuwait government, a notional $500m worth of reinvestment has either already been obliged under the programme or is in immediate prospect. "It's really become a big race," says one western arms supplier. "No-one can see that value of reinvestment out there, so it's a question of getting in there first."

So far three companies have signed preliminary agreements under the offset scheme. Hughes Aircraft, the US defence group, was the first, committing itself in late 1992 to a $27.6m offset under a $92m deal to sell Kuwait early warning radar. Hughes has already set up a joint venture to establish a training centre directly related to its defence sale.

Aérospatiale Missiles of France late last year signed a $5m offset deal as part of its supply of an undisclosed number of missiles to Kuwait, but has not yet detailed its proposed project. Neither has Raytheon, the US group which has agreed a more than $300m sale of Patriot missiles to Kuwait, giving it a formal offset obligation of $98m. However, Raytheon executives have already tantalisingly suggested they are preparing a direct investment in a manufacturing project in Kuwait which they say will far exceed this nominal requirement. No details of what Raytheon has in mind have so far been released.

By March, GKN, the British automotive and defence group, is expected to sign a memo of understanding on a $300m offset requirement as part of its near $1bn deal to supply just over 250 Warrior armoured personnel carriers. The company is in the earliest stages of examining what projects might be offered.

But even without the further defence purchases for which Kuwait has, at least for now, budgeted, offset commitments will almost certainly rise further. Within a month or two, according to offset officials, the government intends to extend its offset obligations to all supply contracts, defence or civil, exceeding KD1m.

With Kuwait's absorptive capacity already beginning to look strained under the weight of such sums, contractors are already looking with slightly anxious hope towards the government's embryonic privatisation plans. "It would seem the perfect fit for us to satisfy our offset requirements by plugging into privatisation sales," says one western executive.

Just now, however, the timing is awkward. Most offset deals already signed must lead within a month or two to specific "concept papers" on projects to be pursued. The earliest real privatisation offering is not expected before the end of this year. Kuwait, meanwhile, will undergo perhaps the most thorough scouring for investment opportunities in its history.

Robert Corzine describes the resurrection of the Burgan oilfield, the second largest in the world

A phoenix from the ashes of war

The giant Burgan oil field in Kuwait is the stuff of which oilmen's dreams are made. Discovered in 1938, in production since 1946 and set alight by the Iraqis in 1991, it still accounts for two-thirds of Kuwait's proved oil reserves of 96.5bn barrels, which are a tenth of the world's total.

Burgan's size is matched by the ease with which it has given up its riches. The 4,000 foot depth of the reservoir means that new wells take just three weeks on average to drill.

Production wells flow freely without expensive gas or water injection because of favourable pressure conditions within the reservoir.

But it was the positive pressure from Burgan's 636 wells that helped to create the nightmarish inferno unleashed by the retreating Iraqis three years ago.

Evidence of those days can still be seen. In places there are heaps of charred, twisted metal that at one time formed the shining "Christmas tree" blow-out preventors that topped the wells, while occasional burned out trucks litter the roadside.

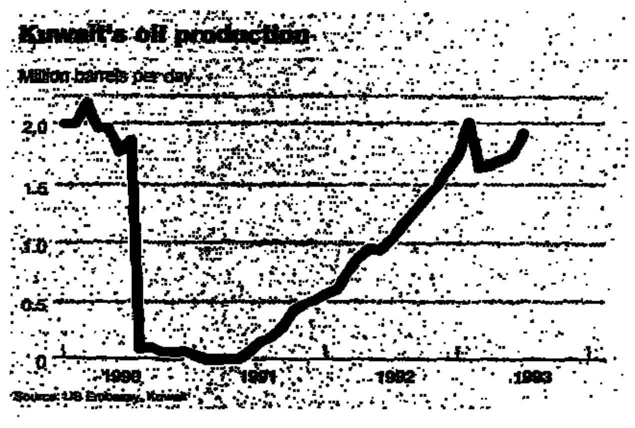
The earthworks and berms built by the multi-national fire-fighting teams who extinguished the blazes within seven months can still be seen, as can some of the 200 oil lakes created by more than 20m barrels of oil which gushed forth from wells that failed to catch fire.

Ironically, some of the most vivid relics of the war resulted from action by American aircraft

Officials from the state-owned Kuwait Oil Company, operators of the field, say 18m barrels of oil have been pumped from the lakes for conversion to bitumen, some of which is being used to coat the defensive sand wall being built along the border with Iraq. The contents of many of the smaller lakes are being concentrated in a few large ones, from which the remaining 3m-4m barrels of oil will be drained.

The reaction of the oil in the lakes with sunlight and rain has caused some concern among Kuwaitis about possible atmospheric pollution. There are similar worries that the oil-soaked soil beneath the lakes could have a long-term effect on aquifers, the desert food chain and air quality in Kuwait.

Various methods are under consideration to treat the most heavily-contaminated soils, which total about 20m cubic metres countrywide. Unlike other Kuwaiti oil fields, Burgan has no aquifers near the surface, so contamination of water supplies in the area is unlikely, according to Kuwaiti scientists.



Ironically one of the most vivid examples of war damage remaining in the field can be found not at a site dynamited and mined by the Iraqis, but at an oil and gas processing centre destroyed by American aircraft because it was being used as a military command post.

Dozens of Iraqis died at the site, the devastation of which was so complete that KOC officials decided to reconstruct the facility elsewhere.

For the time being the ruins serve as a reminder to visitors of the vulnerability of oil facilities in a politically uncertain region. Two rusting pick-up trucks holed by cannon fire stand guard by the gate. Inside the impact craters left by missile strikes are gouged into the concrete paving. Collapsed storage tanks lean at crazy angles from the intense heat of the resulting fires, which fused together parts of compressors and other high technology equipment.

But such sights are the exception in a field which is almost back to business as usual. Mr Mustafa al-Adsani, manager of production and export operations for KOC, says rehabilitation of the damaged wells is almost complete. Six hundred have been reworked and 140 new ones have been drilled. Only a few more damaged wells remain to be repaired.

The rehabilitation of processing and storage facilities to pre-war levels is also nearing completion. Surface facilities in Burgan and the other Kuwaiti oil fields are now capable of handling 2.8m b/d, according to Mr Adsani. Oil storage capacity, which dropped to 3m-4m barrels in the aftermath of the war, is back at the pre-war level of 15m barrels.

The full effects of the fires on the underground oil reservoirs have yet to be assessed

The damage done to Burgan below the ground is less easy to ascertain, however. Industry experts say the maximum blow-out rate of the field was 6m barrels a day, more than three times the average daily production currently being achieved in the UK sector of the North Sea.

More than 1bn barrels of oil were lost, the equivalent of what the oil industry would class as a highly prized "elephant" field elsewhere in the world.

The long-term impact on the reservoir of the uncontrolled release of such large volumes of oil is under study, with the first results due later this year. Some press reports have speculated about the extent to which water movement resulting from the Iraqi actions within the reservoir may affect eventual recovery rates.

But the reservoir "appears to be in remarkably good shape," according to Western experts familiar with the field.

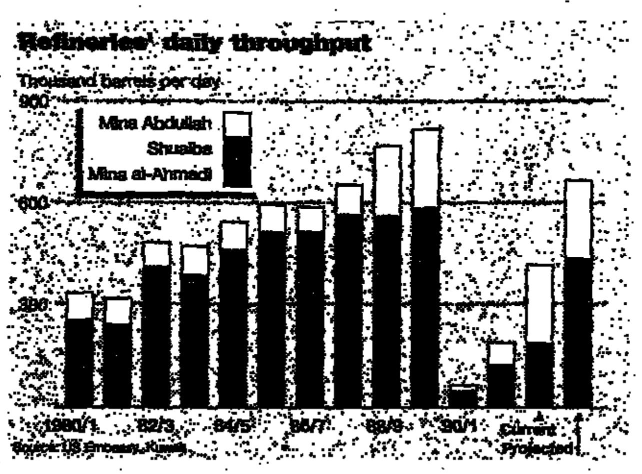
Mina Abdullah refinery, torched by the Iraqis, recovered quickly. **Robert Corzine** reports

What the saboteurs missed

Kuwaiti oil officials are likely to draw particular satisfaction from the imminent commissioning of the new central control room at the Mina Abdullah refinery, one of three such facilities grouped along the southern Kuwaiti coast.

Three years ago the departing Iraqis, frustrated at having failed to master the intricate electronic systems at the heart of the refinery, triggered a massive explosion in the multi-million dollar control centre. It destroyed the facility, but they overlooked several smaller satellite centres which controlled specific areas of the complex.

It was an error that allowed the refinery gradually to recover much of its capacity without the use of a central control complex, although at the cost of some efficiency. Earlier this month Kuwaiti workers and foreign contractors were busy making the final preparations to transfer full control of the refinery to the new centre. Its completion marks an important milestone in the rehabilitation of Kuwait's refining industry, the pre-war showpiece of the downstream sector.



Before the war the three refineries – Mina Abdullah, Mina al-Ahmadi and Shuaiba – formed one of the most advanced refining centres in the world. They were the centrepiece of Kuwait's strategy to extract as much value as possible from its oil reserves by exporting refined products as well as crude oil.

The damage inflicted by the Iraqis was intended to "cripple or delay as long as possible their use," according to Mr Sami Fahed al-Rushaid, head of corporate planning at Kuwait National Petroleum Corporation, the state-owned company which oversees domestic refining and marketing.

But although the Iraqis intended to destroy as much as possible, their actions were erratic. Shuaiba, for example, was damaged so badly that some of its units may not be rehabilitated. Mina al-Ahmadi was also extensively damaged, but it was the first to be brought back on line. None of Mina Abdullah processing units were hit, although there was extensive damage to the shipping facilities and the fire water system in addition to the control room. The refineries also suffered damage from Allied bombing aimed at the pipes through which the Iraqis released crude oil into the Gulf.

KNOC estimates suggest that KD120m has been spent in capital costs to repair the total damage, although final figures have yet to be calculated. There was also significant indirect damage as a result of the plants being idle during the Iraqi occupation. The cost of overhauling corroded processing units and other facilities, for example, is estimated at KD20-30m, according to the KNOC.

Officials say the rehabilitation has proceeded relatively smoothly. There have been some delays, Mr Rushaid says, but the longest has been just five months. The loss of many Palestinian workers and other expatriates is, however, being felt.

Absenteeism rates in some refineries are high, and there has been a marked reduction in the enthusiasm that workers displayed in the immediate post-war period.

The current restoration drive will only bring Kuwait's throughput capacity up to 645,000 barrels a day, well short of its pre-war level of 778,000 b/d.

But KNOC's long-term goal is to expand the capacity of the three domestic refineries to 800,000-900,000 b/d, irrespective of possible new investments in overseas refineries.

It is also assessing how to react to the growing demand for cleaner, less polluting fuels such as unleaded petrol and low sulphur diesel. "That will probably mean revamps and changes to existing units rather than any short-term increase in capacity," says Mr Rushaid.

Shuaiba refinery, where some damaged units are beyond repair. Elsewhere, the damage was erratic

Speculation that the refineries might be included in any privatisation programme are premature, say officials. The three facilities were built as separate units, but they have been steadily integrated, making the sale of a single unit difficult.

Foreign participation in new downstream projects is more welcome, however. Last year the Petrochemical Industries Company, another state organisation, signed a memorandum of understanding with Union Carbide of the US to build a large ethylene plant alongside the refineries.

Mr Hani Hussain, chairman of PIC, sees the project as a model for future foreign involvement in the domestic downstream sector. Union Carbide and PIC will each have a 45 per cent share, with 10 per cent reserved for local private investors.

Mr Hussain stresses that the decision to opt for foreign participation was based on strictly commercial grounds, with Union Carbide providing state-of-the-art technology and marketing expertise, while Kuwait supplies low cost feedstocks and infrastructure.

"Politics was not the driving force," he says, although the arrangement "may meet political objectives" of having a bigger foreign business presence to enhance the country's long-term security.

Robin Allen studies the challenges facing the 35 year-old Kuwait Investment Authority

The lion curbs its restless tail

Many of the recommendations to be made this month on improving the Kuwait Investment Authority's management structure and investment policy are already being implemented.

The proposals, by the KIA's strategy and planning task force, largely follow the guidelines introduced more than 30 years ago. The investment losses incurred in recent years would never have occurred if senior managers had stuck to the authority's basic principles worked out since 1959.

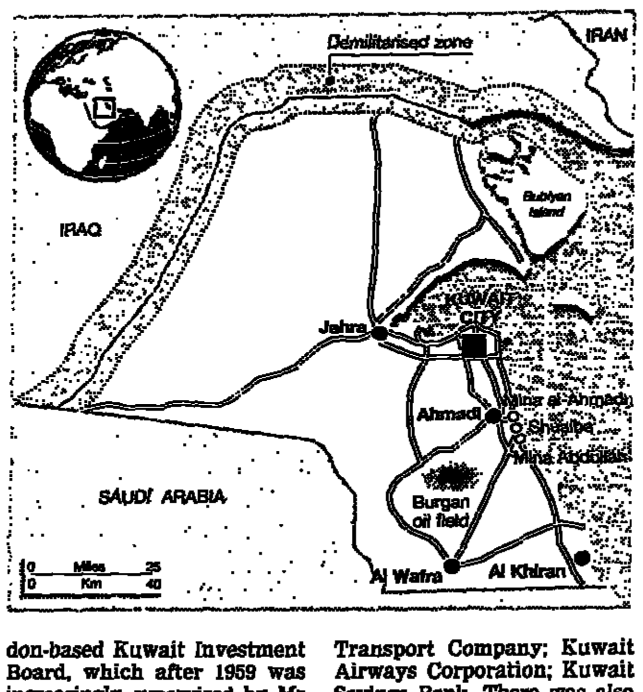
In spite of the eight-year Iran-Iraq war, the collapse of an unofficial stock market, incipient and actual financial scandals at home and overseas, they enabled an initial sum of £150m ($225m) to appreciate to some $95bn by August 1, 1990.

Then came the Iraqi invasion and Operation Desert Storm which threatened to bring the whole edifice down. But it survived, so that the state now has almost $50bn in first-class liquid reserves. Few other countries – and no other Arab country – have as much.

At a time when the ruling Al-Sabah family face a lot of criticism, Kuwaitis can reflect that the man who put in the nuts and bolts was their own head of state, the Emir Sheikh Jaber al-Ahmad al-Sabah. In 1959, he was appointed head of the investment office in Kuwait's department of finance. After independence in 1960 Sheikh Jaber became finance minister, and stayed in the post until 1975 when he became prime minister. He succeeded as head of state in 1977.

In the 1950s, Kuwait was still part of the sterling area. The main objective of the investment office within the finance department was simply to keep the country's oil revenue in Kuwait's sterling account in London and to transfer whatever was needed to Kuwait for essential expenditures. The surplus was re-invested. In the early 1950s this meant little more than putting money on deposit with the Bank of England, which continued for many years to act as custodian as well as adviser.

By the late 1950s the investment office had become more sophisticated. It was already planning how best to convert the surplus oil and budget revenues into long-term assets to guarantee future security. Until 1963 Kuwait's investments were made through British representatives on the London-based Kuwait Investment Board, which after 1959 was increasingly supervised by Mr Khalid Abu Su'ud, a Jerusalem-born Palestinian, under the authority of Sheikh Jaber. Mr Abu Su'ud is still the Emir's investment adviser.



Kuwait left the sterling area after independence. Its currency was changed from the Indian rupee to the Kuwaiti dinar, and in 1963 the investment board was replaced by the Kuwait Investment Office (KIO) chaired by the Kuwaiti ambassador in London, Mr Khalid Jaffar. The KIO's first general manager was Mr Bader Bazi until Sheikh Fahad al-Sabah took over in 1967, bringing Mr Fouad Jaffer as his deputy. They remained at the top of KIO until 1992.

By 1963 the investment department of the finance ministry was becoming more experienced, but it kept its conservative bias. Assets were no longer restricted to the UK. The enactment of the Kuwaiti companies' law and the commercial code enabled part of the state's reserves to be used to develop Kuwait's economy through shareholding companies such as Kuwait Investment Company; Kuwait Foreign Trading, Contracting & Investment Company; Kuwait Transport Company; Kuwait Airways Corporation; Kuwait Savings Bank. There was also the Kuwait Fund for Arab Economic Development, which became the financial arm of Kuwait's foreign policy.

In 1963, Sheikh Jaber set up an international advisory committee, whose members were drawn from captains of western industry and finance.

Until the 1970s BP, together with the US's Gulf Oil, remained pivotal in Kuwait's upstream and downstream petroleum industry. Sheikh Jaber delegated Mr Abu Su'ud, by now the director of the investment department at the finance ministry, to run the state's investment portfolio.

For most of the 1960s the volume of investments was counted in hundreds of millions of pounds sterling rather than in billions. But as the assets grew, so investments diversified: fixed interest securities or floating rate notes or other negotiable instruments; first-class listed equity; feasible long-term projects including direct investments and real estate.

In the 1970s the geographical spread started to include Japan for medium-term investments. Investments started also to be made in Hongkong, Taiwan, South Korea, and Australia, often through the London market, still regarded as the world's financial centre, but many also through the Hongkong stock exchange.

Direct investments, including real estate holdings, were never allowed to account for more than 5-6 per cent of the total portfolio. This contrasts with the existing 30 per cent balance (23 per cent if Spain is excluded), after the excesses of the late 1980s and the early 1990s. The combination of writing off the $5bn Spanish fiasco and guidelines implemented under the present management will bring the proportion of direct investments down to 10 per cent of the total. But the intention is to bring them down still further to the 5-6 per cent fixed by Sheikh Jaber in the 1960s.

How the Spanish connection careered out of control is a separate story now the subject of court proceedings in London and Spain.

The bulk of the direct and property investments were initiated after the first oil price rises in 1973-74; in Britain through St Martins Holding Company – property, manufacturing, health-care and foodstuffs; in the US through Foster Lane. Both have had mixed fortunes, though despite everything Foster Lane is still reported to have assets of some $3bn.

The West German investments were the direct result of the presence on the KIA's advisory committee of Dr Hermann Abs, former head of the Deutsche Bank (who died this month). Daimler-Benz was the first of many; Hoechst and Metallgesellschaft followed. In normal times the size of these individual holdings would have exceeded the six per cent limit. But in the mid-1970s the volume of funds accruing to the Kuwait Investment Office's account were anything but normal. Kuwait's reserves were growing at an unprecedented rate; the investments were long-term in companies whose shares were considered blue-chips.

Prior to 1976 all of Kuwait's surplus was in the General Reserve Fund (GRF). In that year the Reserve Fund for Future Generations (RFFG) was created, and into it was put half of the total assets – and all of the quality assets – of the GRF. In addition, the RFFG was henceforth to receive each year 10 per cent of the state's oil revenue.

Today the RFFG includes all the liquid assets plus Kuwait's quota to the IMF and the Arab Monetary Fund, the World Bank and its affiliate, the International Finance Corporation. By contrast the GRF has the rump of unproductive assets; loan assets on the books of the Kuwait Fund for Arab Economic Development including loans to such countries as Sudan, Iraq and other previous beneficiaries now bankrupt; the capital of Kuwait's own Central Bank and Kuwait Petroleum Corporation which by definition cannot be touched; plus government holdings in 63 local companies of which 42 are listed on the Kuwait stock exchange. Theoretically, these last have a capitalisation of KD800m-KD1bn, representing an average holding of between 20-25 per cent of all quoted companies.

If both confidence and opportunities returned, the government could over time sell these assets to a rejuvenated private sector, but today they are worthless.

In 1981, the investment department at the finance ministry was superseded by the KIA as a separate sovereign entity. This was at the height of the second oil boom when Mr Abdel-Latif Yousef al-Hamad was finance minister. He has many supporters who claim that had he been left in charge the country would have been spared the worst of its financial troubles.

Tough, extremely able and of unquestioned integrity, Mr al-Hamad would in time have ensured that the authority of the KIA imposed itself on the KIO. But his recipe for dealing with the fall-out from the Souk al-Manakh disaster was politically too drastic for the government of the day. His departure meant the finance ministry reverted to Sheikh Ali al-Khalifah al-Sabah, who was already the oil minister; and the managing directorship of the KIA went in 1984 to a relatively unknown Kuwait university economics professor, Dr Fahd al-Rashid. Sheikh Ali remained finance and oil minister until 1985 when he ceded the former role to Mr Jassem al-Khorafi, a prominent businessman.

As a result of all these changes the KIO in London became stronger than its parent, a classic example of the tail wagging the dog. But the implications of all these developments were already blurred, not only by the general paralysis in the financial community caused by the crash of the Souk al-Manakh, but also because, by the end of 1983, income from overseas assets was equal to the country's income from oil. So who was to complain at the time if the KIO made all the running? As far as most people could see it was delivering the goods; and Sheikh Jaber's original guidelines were still largely in place.

Among these was the stipulation that, direct investments apart, the KIA/KIO should not take more than one per cent in any one company. If for example KIA invested $1bn in the US equity market, the investment was spread among 400 companies.

The conservatism of Kuwait's investment policy unexpectedly came to light in 1985 when a disgruntled former employee of Chase Manhattan in New York leaked Chase's Kuwait portfolio to the press. Its structure and balance reflected the sound nature of a cross-section of Kuwait's overseas portfolio. Most blue-chip stocks were represented; the structure was exactly what would have been expected from cautious trustees of any large family trust.

The year 1985 saw another landmark: the dissolution of the national assembly amid clear signs that it intended to take a much tougher line on the issue of public accountability. It had already forced the resignation of the-then justice minister, Sheikh Salman al-Duaij al-Sabah.

But even without the benefit of a suspicious parliament, the

The KIA enabled Kuwait to recover from the Iraqi invasion of August, 1990

authorities by 1989 were sufficiently concerned about the direction of KIO's operations for a new executive and supervisory board to be set up.

Its work however was interrupted by the August 1990 Iraqi invasion and occupation. In fact, no audit of the KIO was done between 1990-1992. The pre-war executive and supervisory board was disbanded after liberation, and a new one appointed. This consists of the KIA's managing director Mr Ali Rashaid al-Bader; Mr Abdul Abu Hasan, an ex-chairman of Burgan Bank and former deputy-governor of the Central Bank; Mr Bader Mokhaizum, chairman of Kuwait Finance House, and Mr Abu Su'ud.

The soundness of the original guidelines laid down by Sheikh Jaber was evident when the crunch came in August 1990. Within months Kuwait was obliged to fund the war effort.

Some $30bn was liquidated at short notice with healthy capital gains intact. In less than a year, a second tranche of almost the same amount had to be found. Altogether 60 per cent of Kuwait's overseas assets were sold - discreetly, without moving or affecting the market, and realising all their capital gains.

It was masterful. The $5bn loss in Spain has been more than made up by an appreciation in the last year of the overall portfolio of some 40 per cent on the approximate $35bn which remained intact after the sell-offs.

These gains will more than cover the projected 1993-94 budget deficit of $5bn - plus if necessary off-budget defence commitments as well.

The strategy now is to have not more than 20 per cent of the total portfolio in any one country or market or sector. Existing distribution reflects a rough balance between the five main investment areas: North America; the UK; Europe; Japan; and south-east Asia.

The proportion of direct investments, including property, to the portfolio as a whole will be reduced to 10 per cent, with the longer-term aim to bring them back down to 5-6 per cent of the total.

The strategy allows for KIA to take over a company, but the acquisition of any company has to keep within these renewed guidelines. Existing exposure in direct investments excluding Spain is 23 per cent of the total; including Spain they amount to some 30 per cent. Offices are to be opened in all the principal locations, with outside investment managers in charge of day-to-day operations for individual portfolios.

So in spite of war, invasion, past mismanagement and scandals, Kuwait's overseas assets, possibly the lifeblood of the next generation, have survived to grow again. The foundations laid 35 years ago have stood the test of time.

Happier days are here again: oil minister al-Baghli (centre) attends the reopening of the Shuaiba refinery

All change at the KIO in London

The Kuwait Investment Authority is now faced with two priorities as Kuwait emerges from the trauma of invasion and the KIA from past mismanagement, writes ROBIN ALLEN.

They are to improve internal structure, particularly the chain of command and control, and to improve management.

Central to this task is ensuring the London-based Kuwait Investment Office is firmly subordinated to the KIA's central authority and never again allowed to arrogate to itself the power to embark on uncontrolled financial adventures.

The KIO's general manager since February last year, Mr Yousef al-Awadi, needed only one month to supervise the merger of KIO into KIA. This was completed last March.

The second priority is to establish a mature relationship with a revived and forceful national assembly (parliament).

This will entail KIA's (and the government's) acceptance of a degree of sustained public accountability and parliamentary scrutiny. If good intentions prevail, the new-look KIA will reassure Kuwaitis that their national wealth is in safe hands.

Overall strategy is being fine-tuned by the "Strategy and Planning Task Force", an internal committee due to complete its work later this month.

Relations with the National Assembly should improve over time.

The authority of the national assembly to scrutinise the KIA – and the government's policies that dictate the KIA's investment decisions – was further strengthened by its unanimous rejection last month of the controversial ministers' trial law. This imposed restrictions on ministers being brought to trial.

The immediate issue was whether Sheikh Ali al-Khalifah al-Sabah, the former oil and finance minster, should stand trial following allegations of embezzlement from the Kuwait Oil Tanker Company. The trial opened on February 5, and Sheikh Ali was among those charged.

The principle was as important as the immediate issue. Mr Ismail al-Shatti, an Islamic conservative who is head of the national assembly's finance committee, described it as a "revolutionary law in Kuwait's financial life".

ASIA-PACIFIC TELECOMMUNICATIONS

In a region where telecommunications services range from the primitive to the sophisticated, opportunities for newcomers are legion. **Andrew Adonis** discusses the problems and highlights the areas where new operators and investors can make a contribution

Lined up for development

Metternich's famous quip that Italy was a geographical expression applies more justly to the Asia-Pacific region. Societies as diverse as New Zealand, the Philippines and China have barely one thing in common: a situation on the same side of the globe.

Telecommunications may be helping, gently, to integrate the region, but its diversity is reflected in the existing state of the industry. As the graphs make clear, all stages of telecommunications development are to be found in the region.

Japan, Australia, New Zealand and Hong Kong have a "teledensity" – a ratio of main lines to population – on a par with the rest of the developed world. Singapore is not far behind, and South Korea has a teledensity just behind that of Spain. By contrast, most of the region's emerging market countries have primitive networks, with fewer than 10 lines per 100 people. A swathe of low-income countries have no national networks worth the name, and provide telephones for fewer than one in 100 of their citizens. Therefore when American or European investors or operators talk glibly of "moving into Asia-Pacific telecoms", all it tells you of their strategy is that they want to do something abroad.

The opportunities to do something are legion. In the region's high-income countries, liberalisation and privatisation have caught on more strongly than in the European Union. Australia, New Zealand and Japan all have competing cellular and fixed-wire operators. Hong Kong's domestic monopoly will be broken next year: the British colony already has four cellular operators, three of them with two networks apiece, plus some 15 paging operators. New Zealand has sold 49 per cent of its state telecoms operator to Ameritech and Bell Atlantic, the US regional Bell companies, and now has arguably the world's most open telecoms market.

In medium- and low-income countries, the role telecoms modernisation can play in underpinning economic growth is widely appreciated. Almost everywhere, there is a new readiness to look beyond the traditional monopoly operators, even if that means legal reforms and domestic controversy.

As a recent World Bank discussion paper* puts it: "It is generally agreed that the limited attention accorded telecommunications in the past and the prevalence of state-run monopolies has cost Asia's poorer countries dearly, economically and socially". More than 2.8bn people in the region's low-income countries have access to barely 25m telephone lines.

The priority, argues the World Bank paper, is not so much privatisation but the licensing of new operators and the creation of an investment and regulatory environment which is congenial to them. "By and large," it advises, "governments should adopt a 'serve it or lose it' policy to require carriers to meet the paid demand for new service within a given time or face the prospect of (a) having a competing company licensed to provide service, or (b) having portions of their service territory refranchised to other carriers."

On that basis, barriers to competition would tumble across the region. Waiting lists and investment patterns are such that in at least half of the poorer countries it would take until past 2000 to satisfy existing demand for new telephone lines if expansion continues on recent trends. And waiting lists expose only a fraction of suppressed demand and growth potential.

China is the world's most breathtaking telecommunications opportunity. Its government has a target of providing at least 40m new lines by 2000, offering manufacturers and operators the prospect of installing from scratch a network equal to that of two British Telecommunications.

Western equipment manufacturers already do brisk business in China. Alcatel, the French manufacturer, is the leader, with about 30 per cent of the market and significant production facilities. Germany's Siemens and Japan's NEC have notable stakes; America's AT&T is eyeing opportunities seriously.

The coming months will be critical for the evolution of liberalisation in the low- and medium-income countries. Fierce debate is taking place within different tiers of China's government about allowing overseas operators to build and operate networks. Mr Huang Ju, Shanghai's reformist mayor, said last year that he wanted to license western operators to expand Shanghai's telecommunications. The idea received a frosty response from Beijing's hidebound ministry of posts and telecommunications, which is also battling with other ministries anxious to see alternative providers. But most analysts see liberalisation as inevitable if the government is serious about meeting its targets.

Crucial decisions are also soon to be taken in India and Indonesia. The Indian government is selling a stake in VSNL, India's international operator, to international institutions. Once complete, about a third of the company will be in non-government hands. The country's forward-looking telecoms commission has proposed that the domestic sector should be liberalised further: one option is for domestic telecoms operations to be split into four separate companies and privatised, with other operators licensed to build lines and provide services.

The Indian government has received more than 30 proposals from non-state operators to provide services, worth between \$10bn and \$15bn between them. US West, Singapore Telecom and Telecom New Zealand are among the overseas companies in the frame. US West is proposing a \$100m joint venture to provide services to an industrial town in Tamil Nadu in partnership with state-owned Tamil Nadu Electronic Development Corporation.

In Indonesia, which has barely 0.7 lines per 100 people, partial privatisation of the state operator is under serious consideration, along with liberalisation to allow private sector involvement in some form.

The models for many are Thailand, which has pioneered "build, operate, transfer" contracts, and Malaysia, which four years ago sold a 25 per cent stake in its state operator on the Kuala Lumpur stock exchange and is now considering pressing ahead with competition in all markets. "There is over \$2bn of international public offerings (IPOs) already in the pipeline in the region, excluding Japan," says Mr Andrew Harrington, Asia-Pacific telecoms analyst with Salomon Brothers in Hong Kong. "There were two listed companies outside Japan in 1990. Now there are 30; by the end of this year there will be 40; and by the end of 1996 there will be at least 50. In the three years to the end of 1996, IPOs worth at least \$15bn are likely to be forthcoming. It's a huge potential market."

It is also a prime test bed for new technology, and applications tailored to developing markets with low line penetration. If it secures its Indian licence, US West intends to use cellular networks as a means of providing a local service rapidly to middle-class districts where demand is highest, rolling out a service in advance of the fixed-wire network. Paging and telepoint services have taken off in the region: in Hong Kong, pagers are as much fashion accessories as a means of communication.

Several operators are exploring the possibility of using radio-based networks for fixed-phones, to accelerate roll-out and avoid laying expensive fibre and cable in the local loop and rural areas. Extensive installation of payphones is also an attractive business option, a market well served by manufacturers including the UK's GPT.

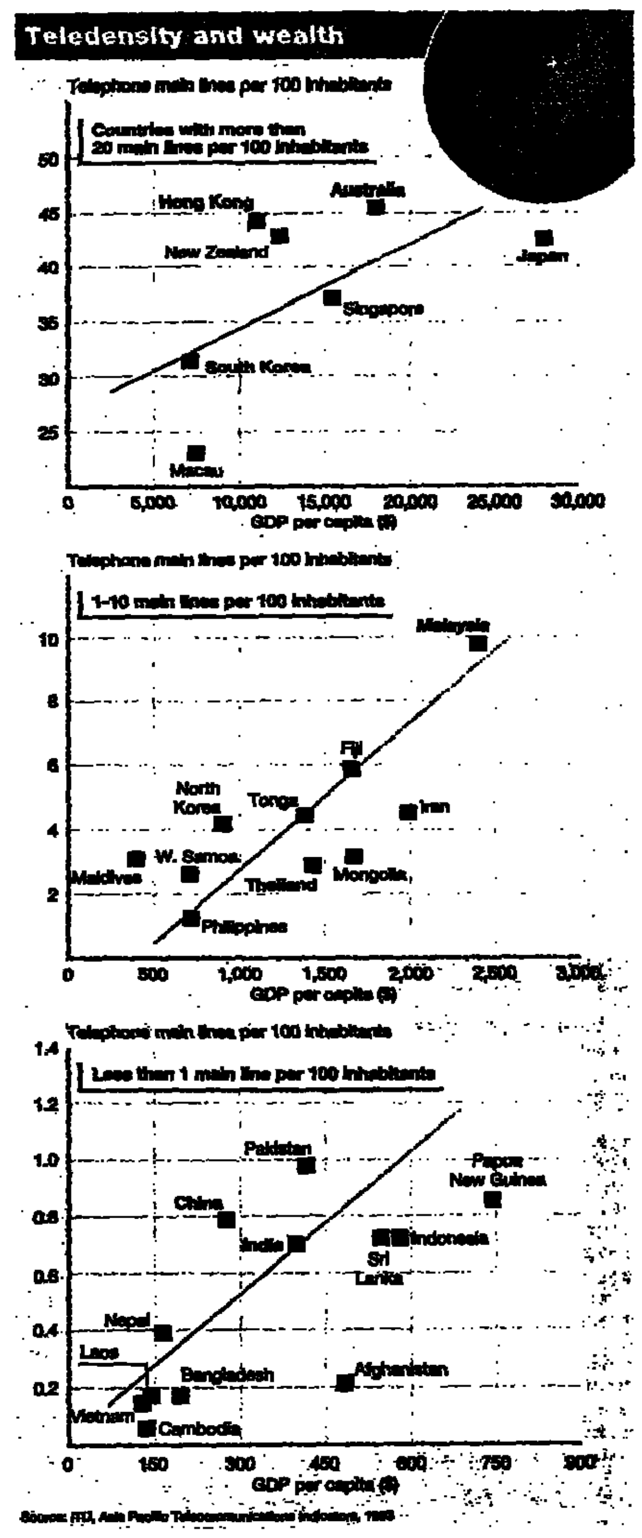
However, for any liberalisation to be successful, effective regulation is essential. Issues of inter-connection, standards, pricing and even bribery, bedevil all attempts at telecoms liberalisation in developing countries.

Divesting the state operator of responsibility for detailed rule-making is not a sufficient reform, but it is absolutely necessary if better service is the object. As the World Bank stresses, "regulation has been the weakest part of sector reform in poorer countries. If this deficiency is not addressed, ambitious plans for sectoral expansion are likely to be compromised".

* *Telecommunications Sector Reform in Asia: Towards a New Pragmatism. World Bank Discussion Paper 232.*

Ningbo connection: the opportunities in China are breathtaking

Teledensity and wealth



Source: ITU, Asia Pacific Telecommunications Indicators, 1993

INDIA

World waits for reforms

The Indian government is putting the final touches to a new telecommunications policy which it hopes will pave the way to large-scale private investment and end the state's monopoly of the industry.

Foreign companies are among the many groups which hope to take advantage of the reforms once they come into force and have been busy lobbying for change. But in framing the policies ministers have also to take into account the opposition of most of the 470,000 workers employed by the government's department of telecommunications, who fear their jobs might be lost if the market is opened to competition.

The improvement of India's telecommunications network is a prerequisite for the success of the government's policy of opening India to international trade and investment. India has about eight telephones per 1,000 people, compared with a global average of 100.

India has about 7m telephones. Just to provide an average of one line for every 10 of its 200m middle-class people would mean installing an extra 13m lines – an investment of the order of US$13bn, according to officials of the government's department of telecommunications. Mr N Vittal, the dynamic chairman of the Telecommunications Commission, the industry's policy-making body, believes that without private sector investors, including foreign companies, India cannot raise the funds it needs for telecommunications. And without better telecommunications, India "cannot plug into the global market".

In an effort to improve the efficiency of the network, the services for Delhi and Bombay were split from the department of telecommunications in 1986 and made into a separate state-owned company called Mahanagar Telephone Nigam Ltd. But the frictions between this and the department – over pay rates, for example – were so great that in 1991, the government ordered a review by the Athreya Committee, which in the same year recommended splitting the network into four regional corporations and one for long-distance services. (A separate corporation Videsh Sangam Nagar Ltd or VSNL handles international calls.)

The telecommunications trade unions protested strongly at the suggested break-up of the network, principally out of fear that the loss-making operations covering depressed eastern India would have no choice but to cut staff. The unions orchestrated political support so effectively that the planned reorganisation of the network has repeatedly been delayed – and with it the rules under which private companies are to be allowed into telecommunications.

Mr Vittal, a high-flying civil servant who took over at the telecommunications commission last autumn, has argued in favour of extensive liberalisation to promote the growth of efficiency and to open the door to investment. His target is to have 20m lines installed by 2000 – an aim that is only feasible with large-scale private investment.

The improvement of India's telecommunications network is a prerequisite to the success of the policy of opening India to international investment

However, the latest indications are that the government is unlikely to order the network's break-up and may instead turn the telecommunications department into one state-owned corporation. There would still be plenty of scope for the entry of private capital but preserving the public network inside one corporation would shield it from the full blast of competition. As Mr Vittal said in a speech late last year: "One has to make a distinction between liberalisation and privatisation. At the moment our emphasis is on liberalisation."

It seems likely that the government will also continue to distinguish between the basic network of telephone services, in which the influence of the trade unions is strongest, and new added-value services including computer-linked services, cellular telephone networks and paging services.

In the basic services, a strong hint of the conditions under which private investment will be permitted are indicated by the terms on which US West, a US telecommunications company, last year won approval from the Cabinet Committee on Foreign Investment for a US$100m joint venture providing services to an industrial town in Tamil Nadu in partnership with the state-owned Tamil Nadu Electronic Development Corporation.

The partners, which plan to invest a total of US$1bn over 10 years in different locations, will have a non-exclusive licence and will therefore be obliged to compete with the department of telecommunication and with other possible carriers. The partners will also be required to charge the same as existing DoT rates and to connect their systems with the DoT network.

However, the US West project still requires separate approval from the telecommunications ministry. Other foreign companies which are among 18 groups that have expressed interest in investing in basic telephone services include Qualcomm and Media Digital of the US and Northern Telecom, from Canada. The potential bidders also number leading Indian industrial groups including Calcutta-based RP Goenka group and YK Modi of Delhi.

In the meantime, the government has tried to promote the expansion of added-value services, particularly cellular telephones and paging services, but its efforts have been stymied by clumsy handling of bids resulting in legal action.

For paging services, the government last month gave an initial go-ahead to 16 companies, all joint ventures between Indian and foreign groups, to operate radio-paging services in 27 cities. The announcement came a year after the Delhi High Court over-ruled objections from some unsuccessful bidders.

Stefan Wagstyl

SINGAPORE

Hub of south-east Asia

The modern story of Singapore telecommunications revolves round Singapore Telecom (ST), the island republic's telecommunications and post utility. ST has an exclusive licence to provide local and international telecommunications for Singapore until 2007 and a similar licence governing mobile communications services running until 1997.

Partially privatised in October last year, ST is Singapore's biggest listed company with a market capitalisation of more than S$50bn ($32bn) – about 20 per cent of the local market's total capitalisation.

But in spite of its size and its monopoly position in Singapore, ST has earned a reputation as an efficient and progressive telecommunications facility. With about 40 lines per 100 people, Singapore has one of the highest telephone penetration ratios in the east Asia region.

Singapore has become the telecommunications hub of south-east Asia. ST is now determined to become not only a regional but a world participant in the industry.

To date, ST has concentrated its efforts on the home market, putting in place a wide range of services using state of the art technology. In 1989, Singapore became the first country in the world to install a nationwide ISDN network. With more than 50,000km of optical fibre cables installed throughout the island, Singapore now has one of the highest urban concentrations of optical fibre cable in the world.

Through its control of what the government refers to as "basic services" ST is the sole provider of fixed line national and international calls, public cellular services, radio paging and, through a subsidiary company, mail services.

Singapore Telecom has earned a reputation as an efficient and progressive telecommunications facility

But notwithstanding these advantages, ST has remained competitive and has matured into a company capable of posing a challenge to much bigger global participants.

In 1994, ST expects to spend S$650m on improving its services and installing the latest technology. Over the next five years ST says it will be investing S$3.7bn – big projects include the extension of submarine cable networks and a new satellite earth station to supplement two existing stations.

Despite such expenditures, ST boasts some of the lowest domestic and international call charges in the region. It also has a range of services the envy of many bigger telecommunications companies.

In 1990, ST launched what was the world's most advanced photo-video-text system through which photographic quality images are transmitted via TV. Users have access to a total of 130,000 teleview pages of government, business and other other information.

Among other items users can pay bills, order goods and services, check banks accounts, monitor stock prices, take part in school lessons – even calculate income tax – through the system.

In the five years to March 31 1993 the number of international calls grew at a rate of 18.7 per cent per year and the international sector now contributes about 50 per cent of ST's revenues. Most analysts expect such growth to be sustained in the medium term due to the continued growth in the economy of Singapore and other countries in the region.

Cellular services are the main growth area at present – four in every 100 of Singapore's population now has a mobile phone.

The emphasis now is on developing international operations. Through its subsidiary, Singapore Telecom International, ST has been aggressively expanding overseas, searching out joint ventures with a wide variety of companies.

Until last October ST had invested nearly S$500m in its overseas operations. These include the provision of cable services in Britain, the supply of data services in Thailand, cellular services in Vietnam, Sri Lanka and the Philippines and paging services in Indonesia and Hong Kong.

Kieran Cooke

THAILAND

State agencies fight for business

The recent surge in demand for telecommunications services in Thailand has overwhelmed the old-fashioned state agencies which control the networks, forcing them to concede an increasing share of new telecommunications business to the private sector.

But the state agencies are not giving up without a fight, and they are extracting a heavy price from concessionaires – who quickly pass on the cost to the long-suffering consumers of Thailand – for every inch of telecommunications territory they yield to a private contractor.

Against a background of Thai economic growth of around 8 per cent a year, the Communications Authority of Thailand (Cat) and the Telephone Organisation of Thailand (Tot) are notorious for their failure to keep pace with the demand for telephone services.

By tradition, the Cat, which has monopoly control of international services, used to be the fiefdom of the air force. The Tot, which runs the domestic network, was dominated by the army. Over the years, however, the influence of the armed forces in Thai politics has declined, and in 1992 the former government of Mr Anand Panyarachun removed several military officers from the boardrooms of state agencies such as the Cat.

Government officials and others are now discussing the possibility of fully privatising the Cat and the Tot, opening the arena to competing companies, and appointing a neutral regulator. The Tot has already appointed consultants to examine its own privatisation.

Meanwhile, the waters have been muddied by a round of quasi-privatisations, in the form of concessions to private operators granted by the two state bodies, for activities ranging from mobile telephone operations to satellite launching. There is no doubting the need for more telephone lines and telecommunications services. Today Thailand has about 2.5m lines, half the estimated demand. In Thailand there are about four lines per 100 people, less than half the figure for neighbouring Malaysia and a tenth of the level in Singapore.

The concession agreements have promoted the rapid growth of Thai telecommunications companies such as TelecomAsia, the subsidiary of the multinational Charoen Pokphand group, and the Shinawatra group of Mr Thaksin Shinawatra, a former police colonel.

But the concession contracts are often controversial. The Anand government even withdrew 1m lines from the 3m-line installation contract awarded to TelecomAsia and gave them to another consortium, on the grounds that the original deal was too lucrative for TelecomAsia and deprived the government of revenue.

International telephone calls out of Thailand are among the most expensive in the world, an anomaly for a country which insists that it wants to become a regional communications hub. British Telecommunications has finally installed a data packet-switching node in Bangkok under a joint venture agreement with the Cat, but the charges levied by the Cat are believed to be exceptionally onerous by international standards.

Tot staff have been slow to connect the lines built by TelecomAsia, a problem TelecomAsia has sought to overcome by offering Tot employees inducements in the form of shares at a steep discount to their market value.

Full privatisation of telecommunications in Thailand is likely to be hindered not only by vested interests in the Cat and the Tot, but also by some of the private concessionaires themselves when they benefit from "exclusivity" clauses allowing them sole rights to a particular network or type of operation for a fixed number of years.

International telephone calls out of Thailand are among the most expensive in the world

For example, Shinawatra, which launched Thailand's first satellite in December last year, was granted a 30-year monopoly on serving local satellite users when it won the contract in 1990, although the Anand government subsequently reduced the monopoly period to eight years.

Foreign equipment suppliers which have cosy arrangements with the Cat and Tot might also resist liberalisation. Some international telecommunications companies, on the other hand, would welcome a change in the laws which grant the Cat and the Tot monopoly ownership of the networks.

The Cat and the Tot, surrounded by dynamic local private sector companies and their foreign partners, are beginning to look out of their depth in an age when telecommunications, broadcasting and the computer business are converging.

TelecomAsia, in which Nynex of the US has a 15 per cent stake, wants to increase the value of its contract to install 2m telephone lines in Bangkok by using fibre-optic cables to transmit cable television as well as telephone calls.

This did not form part of the original contract, but the Tot, perhaps persuaded by the offer of cheap shares, appears to have accepted it as a *fait accompli*.

Victor Mallet

ASIA-PACIFIC TELECOMMUNICATIONS III

CHINA

Be patient, westerners urged

Western telecommunication giants eyeing the vast Chinese market will need to be patient since it seems that in spite of domestic pressures the authorities are in no hurry to open this lucrative sector to foreign involvement.

Professor Li Yining, an influential economist and member of the standing committee of the National People's Congress, China's parliament, wrote in a commentary last month that the country was "not ready for a change of policy". But Prof Li went on to say that when market conditions "matured" there was "no reason why foreign businesses cannot take part in the operations of telecommunications networks in China".

He listed three necessary developments: a strengthening of the local telecommunications industry so that it was no longer dependent on preferential government treatment and subsidies; technical improvements that would allow it to compete internationally; and due consideration of charges for services and the sharing of revenues.

"These issues need to be studied carefully," he wrote. "And as these problems are essentially technical in nature, it seems highly likely that they can be resolved in the future."

Prof Li's remarks reflect what is proving to be a hot debate in China between advocates of liberalisation and a state telecommunications sector fearful of losing its monopoly.

These issues came to the surface late last year when the Mr Huang Ju, Shanghai's reformist mayor, told leading western telecoms operators that he favoured a "pilot" project in his city under which foreign operators would invest in building and operating a new network.

Mr Huang's remarks were quickly denied by officials of the ministry of posts and telecommunications (MPT) which periodically seeks to dampen expectations of an early lifting of the ban on foreigners becoming involved in the telecommunications business – either as equity partners or in a management role.

The MPT's monopoly is, in any case, being eroded in various ways, especially in the area of cordless telephones and pagers. The continuing proliferation of satellite dishes, in spite of a recent government edict banning the unauthorised sale of such dishes, is another affront to MPT control.

In Beijing alone, some 70 private paging firms are operating, and there are at least 300,000 pager users in the capital. In a country where there are an average of 1.6 telephones per head of population, the pager market is virtually unlimited.

In Beijing alone, some 70 private paging firms are operating, and there are at least 300,000 pager users in the capital

Investment by Champion Technology, a Hong Kong telecommunications firm, in a cellular phone network in Sichuan province, China's most populous province, may well come to be regarded as the thin edge of the wedge as far as foreign penetration is concerned.

Champion representatives say that while the company has a 40 per cent stake in the Sichuan network, it will have no direct management involvement in its joint venture with the local Sichuan branch of the MPT and the People's Liberation Army.

This "arm's-length" arrangement could become a model for other such ventures, although it is hard to believe Champion, with its 40 per cent stake and US$30m investment, will either wish to, or be able to, stay out of management decisions.

MPT also has a battle on its hands with powerful domestic foes agitating for the right to establish a second national telecommunications network. Three ministries (electronics, railways and electric power), together with the People's Bank of China and the People's Liberation Army, among other enterprises are working behind the scenes to break MPT's monopoly.

MPT officials say they are doing their best to meet huge demand for new services, and have outlined ambitious plans to improve the network. China, which has one of the world's lowest per capita ratios of telephone lines – at the end of 1993 the number had reached about 18m for a population of 1.17bn – plans to increase the number of lines fivefold to 100m lines by 2,000.

Wu Jichuan, China's minister of post and telecommunications, said recently that by the end of the decade China planned to achieve "telephone penetration" of 35 to 45 per cent (of families) in the larger cities. At present fewer than one in 10 urban families on average has a telephone.

MPT has budgeted about Yn53.6bn (US$6.1bn) in expenditures this year, an increase of 34 per cent over 1993, but given the ministry's vast responsibilities investment available for telecommunications is clearly inadequate.

Among MPT's priorities is to extend its network of large and medium-sized satellite earth stations to all provincial capitals by early next century. Some 16 such facilities are either operational or are under construction.

China also plans to increase the number of communications satellites in orbit, and to make greater use of other international vehicles.

According to a China Daily article, by the year 1995 China will be using seven communications satellites, including two Chinese-made Dongfanghong-111's, each equipped with 24 transponders.

Tony Walker

MALAYSIA

Victim of success

In the first half of 1993 sales of mobile phones in Malaysia were averaging about 8,000 per month. But after a surge in the Kuala Lumpur stock market, brokers started giving mobile phones to their bigger clients. The result? Mobile phone sales leapt to more than 15,000 a month and, along the way, the shares of companies involved in mobile phones soared.

However, business growth has created problems. Many mobile phone users now complain that they are finding it increasingly difficult to find lines. The companies concerned and the government insist that the problems in the system will soon be rectified.

Malaysia's gross domestic product has expanded by more than 8 per cent in each of the last six years. Similar growth is expected this year.

The difficulties in the mobile communications sector are common to many areas in Malaysia. The country is having difficulty managing its success. Congestion and bottlenecks threaten growth.

The critics say that the problems are most serious in the telecommunications sector. There is an urgent need for the government to formulate an overall telecommunications policy: if not, development could be hampered.

Malaysia has been one of the first countries in Asia to privatise its telecommunications industry. In the mid-80s Telekom Malaysia, the telecommunications utility, became a corporation. In late 1990, 25 per cent of the company was floated on the Kuala Lumpur stock exchange. At the end of 1993, Telekom had a market capitalisation of M$43.8bn ($16.3bn) and was ranked as the second biggest listed company in Malaysia.

In the year to December 31, 1992, Telekom had pre-tax profits of M$1.275bn – an 18 per cent rise over the previous year's figure. While Telekom still has a monopoly on many services, the government has made it clear that it wants more competition to be introduced into the sector.

The cellular market has been opened to three companies besides Telekom. The biggest, Celcom, now has an estimated 60 per cent of the cellular phone market. Over the next 12 months Celcom says it aims to increase its number of subscribers from 200,000 to more than 500,000. But Celcom has to sort out congestion problems on its network. If not, two new competitors, Mobikom and Binariang, are likely to steal market share.

The government has also suggested that a second carrier network will be allowed to start operating. Already Celcom has been granted so-called second international gateway rights – allowing it to set up an international service to rival Telekom's.

Other companies – such as Sapura, a manufacturer of a wide variety of telecommunications equipment – are expanding aggressively overseas.

The government is unlikely to allow Telekom's position as network carrier within the country to be challenged, at least not in the medium term. Officials have sought to assure Telekom investors that massive investments made in upgrading the domestic network will not be jeopardised.

Kieran Cooke

HONG KONG

No escaping the call of duty

They have been formally banned from cinemas, and top-ranking restaurants will remove them before the aperitifs arrive. But in all other daily activities – on the buses and underground trains, in the gyms and at the noodle stalls; in banks and post office queues – there is no escaping the call of the mobile phone.

Telephones and staying in contact appear to be as embedded in the Hong Kong culture as eating and karaoke. Last year the colony's 6m population spent 1.31bn minutes on (outgoing) international calls, some 40 per cent of which were to China.

More than 65 per cent have telephones; and analysts reckon around 5 per cent have cellular phones. According to Hongkong Telecom, there are 1.24m pagers on the streets, alerting people to messages as well as stocks and racing information.

"A lot of local people are entrepreneurs, and they have to keep in contact with others while on the move. Second, there is a strong fixed line infrastructure in Hong Kong which has cultivated a strong telecommunications culture," says Mr Carl Wong, telecoms analyst with Wardley James Capel.

The fixed line infrastructure, courtesy of Hongkong Telecom – which next July loses its monopoly to provide local telephone services – is so strong that analysts reckon the scope for head-on competition will be pretty thin. Not surprisingly, the competitors-elect disagree.

Hongkong Telecom, 57 per cent owned by Cable and Wireless, charges residential users HK$59.30 a month for the line rental plus HK$9 a month for the rental of the equipment itself. But after that, everything – bar international calls – comes free of charge, including all local calls.

Further undermining the argument for commercial competition, anyone setting up in the local loop network generating international calls has to pay Telecom 92 per cent of the international revenues for delivery of the international part. Hongkong Telecom retains its monopoly on international services – the area which generates the bulk of its profits – until 2006.

Mr Peter Howell-Davies, deputy chief executive of Hongkong Telecom, says early market research suggests the company's plans to launch a video on demand service will be well received. Telecom is launching a pilot scheme in July this year: all being well, a full service will be rolled out in early 1995.

The company has also applied for a cable TV licence

There are 1.24m pagers on the streets of Hong Kong

with effect from June 1996, when Wharf's exclusive franchise expires.

Liberalisation of the fixed wire telecoms market first beckoned in 1992, sparking off a lengthy review. The government believes that competition will reduce costs for consumers, who will be able to save HK$1.7bn in real terms over the next 10 years. Last December it unveiled the names of those whose bids to operate competitive local services against Hongkong Telecom had been successful: Hutchison Whampoa, Wharf Holdings and New World.

All three are big conglomerates, better known for their involvement in property than telecoms.

Hutchison Whampoa – barely a month before the government announcement – decided to write off its ailing UK CT2 business and clarify its exposure to the Personal Communications Network, a digital cellular-based service for two-way mobile communications.

The write-off cost Hutchison HK$1.42bn – which was coincidentally offset by profits made earlier in the year on the sale of Star TV – and the company vowed to plough some HK$4bn capital into its PCN operations over the next three to four years.

All three companies plan to enter the market with big budgets to fuel their proposals for large-scale fixed-line networks, and have hooked up with big-name partners to assist them in cashing in on the new market.

Hutchison Communications is a joint effort with Telstra, Australia's state-controlled telecommunications giant; Wharf Holdings has teamed up with Nynex (US) to create New T&T Hong Kong, and New World Development has a 65.5 per cent stake in a consortium made up of Infa Telecom Asia, US West and Shanghai Long Distance.

Wharf is spending HK$6bn on top of the HK$5bn for Wharf Cable; Hutchison has earmarked HK$3.5bn and New World Development's initial investment is around HK$2bn.

The companies themselves believe there is money to be made by competing head-on with Hongkong Telecom, and are looking at all the non-international services provided by the existing provider as fair game for competition.

The switch from monopoly must be approved by China, which regains sovereignty in 1997, and all three companies plus their partners are now awaiting the green light from the Joint Liaison Group.

Ironically, the government says the JLG should be discussing the issue of licences to the newcomers around March – the time when Mr Chris Patten, governor, is due to lodge the so-called controversial parts of his democracy bill to the Legislative Council.

The four cellular operators – Hongkong Telecom CSL, Hutchison, Pacific Link and Smart Tone – are augmented by some 15 participants in the paging network and three CT2 operators.

For Hong Kong's movers and shakers, spending around US$1,00 to US$1,500 on a piece of equipment that will ensure they can always be reached and stay in touch with their office is a small price to pay.

Louise Lucas

JAPAN

On course for multimedia age

For the past few years, executives at Japanese telecommunications companies have watched anxiously as their US counterparts moved swiftly to lay the foundations for a new era of advanced communications.

While US companies in the telecommunications, cable TV and entertainment industries joined hands in one cross-border deal after another, Japanese telecoms operators and equipment suppliers have grown concerned about their country's delayed entry into the race to develop advanced information networks.

The ministry of posts and telecommunications, criticised in the past for its bureaucratic approach, has now recognised the need to improve the regulatory environment and has put Japan firmly on course for the coming multimedia age.

Last month, Mr Takenori Kanzaki, minister of posts and telecommunications, indicated the government's intention to nurture the development of advanced information communications networks as a key sector for the future Japanese economy.

The multimedia market in Japan, Mr Kanzaki declared, was expected to create 2.4m jobs by 2010 and could be worth Y123,000bn ($1,138bn) by that year, making it comparable in size to the motor, electronics and communications equipment industries.

To promote the development of advanced information networks the ministry plans to support the laying of an optic fibre infrastructure nationwide and wants this to be completed by 2010.

Rules will be relaxed to create an environment more conducive to the emergence of new businesses taking advantage of the info-communications networks.

The ministry is also examining policy and technical issues that need to be addressed before it can give the go-ahead for the integration of telecommunications and broadcasting services.

Growing alarm that Japan is being left behind by the US in the race to develop advanced communications systems has spurred the hitherto complacent Japanese authorities into action. They face a formidable task.

On the broad policy front, the ministry must decide who will fund the laying of the proposed advanced communications network, and therefore have ultimate control over it, and who ought to be allowed to use it and in what ways.

On both points it is in direct opposition to NTT, the former public telephone company which was privatised in 1986 and which, in spite of liberalisation efforts by the ministry, still dominates the industry.

NTT believes it should build the network and has stated its plan to lay optical cables to all private homes by 2015. By March next year, NTT plans to complete digitisation of its switches throughout Japan, an essential part of the multimedia infrastructure.

The company wants to retain its leading position in advanced telecommunications and believes that because it will have to manage the network, it should be allowed to build it.

The multimedia market in Japan is expected to create 2.4m jobs by 2010 and could be worth Y123,000bn ($1,138bn) by that year

The telecommunications ministry disagrees. If the private sector builds an advanced communications network, it fears the interests of the country may not be best served. The ministry is concerned that private companies, driven by profit considerations, could lay optic fibre only where they can expect satisfactory returns.

The differences between the ministry and NTT extend to the issue of who should be able to provide what kind of services on the new information highway.

Not surprisingly, NTT is keen to use its dominant position as a carrier to provide new services beyond its conventional telephone operations. In addition to high-speed communications services, the company is eyeing markets for video communications, interactive games and video shopping, among others.

"NTT will co-operate with a diversity of industry players as it explores the vast potential of these arenas," the company says.

However, NTT's activities are strictly regulated by the NTT law, which stipulates that the company may not engage in businesses outside telecommunications and other closely related activities.

The ministry of posts and telecommunications is wary of NTT becoming too dominant in these industries. So, unless the law is revised the telecoms giant would be barred from using any new network it builds to provide cable TV and Mr Masashi Kojima, the company's president, publicly states that "NTT does not intend to get involved in the cable television business".

That leaves other carriers and the cable companies as leading contenders to combine telecommunications and broadcasting services on the new information highway.

The authorities are planning to allow cable television operators to provide "full" services, including telecommunications services, and to permit new common carriers to offer multimedia services.

Recently, the telecoms ministry announced its intention to relax rules which have been widely blamed for stunting the growth of the cable industry.

The local capital rule, which prevented companies from providing nationwide services and thereby taking advantage of economies of scale, is being phased out. Foreign capital restrictions are also being relaxed, leading to the possibility of increased participation in the Japanese market by large US cable companies such as TCI, which has a deal with Sumitomo, the trading house.

It will take some time for Japan's fragmented cable TV industry to sort itself out to become a force capable of participating in the info-communications network as envisioned by the telecoms authorities.

Neither is it clear what uses consumers will want to make of the high-speed capacity and interactive functions offered by the new information super highways.

Meanwhile, steps are also being taken in the mobile phones industry to allow greater competition and more diversified services and to pave the way for the advanced information communications infrastructure. As in the cable TV industry, most of these involve the relaxation of ministry rules which are blamed for inhibiting growth in this industry.

For example, the ministry is liberalising the cellular phone market further by allowing three new entrants into the market in April. Handsets, which have to be rented by an operator, will be allowed to be sold, leading to greater competition and lower prices.

Such long-awaited steps are expected to trigger significant growth in Japan's cellular phone market, which in spite of being the second largest market after the US with 1.8m subscribers, has a low diffusion rate. Only 1.8 per cent of Japanese use mobile phones compared with 4.4 in the US and 7.9 per cent in Sweden, according to a report by S.G. Warburg, the securities company. Deregulation which will lead to greater competition and price reductions, is expected to make Japan one of the world's fastest growing markets.

Michiyo Nakamoto

Ministry rules have stunted growth in Japan's mobile phones industry

AUSTRALIA

Metamorphosis in progress

Like so much of Australian industry, the telecommunications sector is in a state of upheaval as it moves from a regulated, government-controlled environment, into the world of competition and free-market economics.

Five years ago, the industry was made up of three principal entities, all wholly-owned by the federal government. First, there was the Australian Telecommunications Commission, or in popular parlance, Telecom, which provided the nation's domestic telecommunications services. Then there was the Overseas Telecommunications Commission, or OTC, which provided international telecommunications services.

Finally, there was the loss-making Aussat, which was responsible for the country's domestic satellite communications system. Aussat had been set up as a space-based competitor to Telecom but, for a variety of reasons – including inadequate funding and regulatory restrictions – had effectively failed in its task.

Today, the industry's structure has changed radically – although it will be another three and a half years before the metamorphosis is complete.

Telecom and the OTC were merged in February 1992, and last year adopted the new legal name of Telstra Corporation. The organisation still trades as Telecom in its domestic market, but uses the Telstra tag overseas.

At present, Telstra remains wholly-owned by the federal government, and the notion of a wholesale privatisation of the organisation is politically contentious. Both Australia's powerful union movement and the Labor Party caucus have been strongly opposed to this and in the run-up to the 1993 general election, Paul Keating, the Australian prime minister, formally pledged that Labor would retain Telecom as a publicly-owned enterprise, if re-elected.

However, under its American chief executive, Frank Blount, Telstra does seems to be nudging its way towards the private sector, and most commentators believe that some private sector involvement is inevitable in the medium to longer term. There has been talk more recently of floating off parts of the business – say, some of its international interests or its fledgling cable operation – or bringing in joint venture partners on a limited basis. Such schemes would help to fund expansion, it argued, without draining public funds.

Meanwhile, Optus was licensed as the second telecommunications carrier in early 1992, providing Australian consumers with a rival carrier to Telstra. Optus is owned by a consortium of international interests. These include Britain's Cable and Wireless, which holds a 24.5 per cent interest in Optus: BellSouth of the US, with a similar percentage, Mayne Nickless, the Australian transport company, with 20 per cent, and a number of leading Australian institutional investors. Despite the UK-US involvement, however, the Australian interests have always held a majority of the company's shares.

Aussat, meanwhile, was sold to Optus for A$800m – of which A$500m was paid up front with the remainder coming in instalment payment starting at end-1994 – and effectively becomes a division within the new group.

Optus began its life by competing against Telecom in the cellular telephone market, but by December 1992, had expanded into long-distance services. In 1993, a series of high-profile ballots took place in Australia, giving customers a well-publicised opportunity to switch carriers. Although response rates varied between different cities, Optus saw a very encouraging reception in some cities – picking up a fifth of the Sydney market, for example.

At present, then, Australia operates a duopoly. This, however, is meant to be an interim arrangement only, and the government's declared aim is to introduce full network competition by mid-1997. Optus, which began life by leasing existing network capacity from Telecom for about 90 per cent of its traffic, is expected to be 90 per cent independent by this stage. The company has talked of a A$4bn investment plan, to make its long-distance service accessible to all Australians, and to bring its cellular services to a large portion of the population.

There is little doubt that growth in the Australian telecommunications market is coming on the international side

Finally, the most recent development on the deregulation front has been the opening of the mobile telephone market to a third carrier - Vodafone of the UK. The company began to offer digital mobile telephone services in Sydney, Melbourne and Canberra last October, and is expected to extend its network to accommodate about 85 per cent of the population by 1996.

Vodafone's entry was timely. Telecom and Optus had snared around 750,000 mobile phone customers on their analogue networks, but this system was close to saturation. (It is due to be phased out by 2000).

The two domestic rivals had introduced digital services earlier in the year, ahead of Vodafone's arrival, but acceptance of the new system had been slow. Vodafone's aggressive entry was seen as a welcome boost to the flagging digital market.

More broadly, there is little doubt that growth in the Australian telecommunications market is coming on the international side. International traffic expanded by around 70 per cent between 1988/89 and 1991/2, while domestic traffic rose only 20 per cent in the same period, according to a Bureau of Transport and Communications Economics report last year.

The same report suggests that, assuming "only modest growth in the world's major economies", international traffic to and from Australia should continue to grow at around 15-20 per cent annually in the years ahead.

Nikki Tait

RECRUITMENT

JOBS: Putting finance directors in their place is no longer as straightforward as before

It's all changing in the Footsie shuffle

Job shuffling among finance directors in Footsie 100 companies appears to be establishing a discernible pattern.

As Caradon, Redland and Prudential all seek to fill finance director vacancies, what might have seemed straightforward musical chairs is developing more complex characteristics as companies and individuals embrace fundamental considerations about the general role of the finance director.

City headhunters are reporting an increasing desire among large employers for more rounded career profiles among potential finance directors. They want strategists as much as they want accountants. The days of the boardroom number-cruncher whose main concern is a polished set of accounts now seem to be on the wane.

Gerald Corbett, the outgoing director of finance at Redland, about to move to Grand Metropolitan in April, and Archie Norman, who was finance director of Kingfisher before becoming chief executive of Asda in October 1991, are cited as the new role models for a changing breed.

That share prices fell in both companies after the announcement of Corbett's move served to underline the belief that a change in finance director is an important and sensitive event.

The moves appear to support evidence collected by Sir Geoffrey Owen, Professor Peter Abell and Mike Cranna at the London School of Economics. Their recent report, The Changing Role of the Finance Director, carried out for the Board of Chartered Accountants in Business, identified a desire for finance directors to have broader business responsibilities.

Most of those surveyed said that the job would become more entrepreneurial. At the same time the report found that the role was becoming increasingly demanding with more complicated functions.

This is not to say that traditional qualifications are no longer valued. An accountancy background and a degree would be considered essential by most leading companies. According to Carolyn Eadie of Spencer Stuart, the ideal CV for a financial director in a top public limited company might show combinations of accountancy, an MBA, treasury qualifications and experience as a strategy consultant. "They could have a grounding in any of these four areas but qualifications in two of them might be expected," she said.

She added: "There are still lots of people running big companies with few or no qualifications but it's a dwindling group."

The corporate finance route is still there but it appears to be becoming less fashionable. Philip Hampton, who joined British Steel from Lazards in 1991 and Patrick Dayton, who went to English China Clays from Schroders in 1992 are two examples of younger men who made the transition.

John Hignett, whose retirement from the main board of Glaxo was announced this month, was in his mid 50s when he made the move a few years earlier.

Hignett's corporate finance background as a managing director at Lazard Brothers merchant bank and a former head of the City's Takeover Panel was considered by some as an atypical preparation for such a post even then. Glaxo took a year of soul-searching, including advertising the post in newspapers, before falling back on the old boys' network.

Hignett relinquished the finance director job more than a year ago while remaining on the Glaxo board, allowing John Coombe to slot into the role. Coombe now absorbs the rest of Hignett's duties, covering management and investment of corporate funds.

Not all transitions are achieved so smoothly. Reports by recruiters of more boardroom shuffles in the pipeline may lead to some discomfort for insecure executives unaware that headhunters, operating in secrecy, are looking for replacements. In practice the unfortunate incumbent is often alerted, either intentionally to soften the blow or by a tip off on the boardroom grape-vine.

Headhunters Norman Broadbent say that filling the post of finance director is the most sought-after requirement for top professional recruiters at present.

As companies seek to refocus themselves some finance directors such as Daniel Cohen at Caradon and Michael Pragnell at Courtaulds have changed roles to adopt other board responsibilities. Movement inevitably creates a knock-on effect in the market for leading executives and the emergence from recession is increasing confidence not only in companies preparing for growth but in individuals who have been positioning themselves for a career leap over years of inactivity. Playing Footsie with finance directors may have only just begun.

● The table (left) shows a selection of findings from Day Associates' latest quarterly survey of pay and benefits in City of London banks. Carried out earlier this month, it covers data on 3,000 jobs in 120 banks and finance houses. The full report, price £250, can be obtained from Joe Clark at Suite 2.31, Whitechapel Technology Centre, 75 Whitechapel Road, London E1 1DU. Tel: 071-375 1397, fax 071-375 1723.

The first three columns refer to people at the various stages of rankings in the same type of job, followed by the average salary and the percentage of salary that would typically be added as a bonus. The final two columns show the percentage of people in each post with car allowances and how much these are on average.

Richard Donkin

SALARIES, BONUSES AND CAR ALLOWANCES IN CITY OF LONDON FINANCE

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Avge bonus %	Car allowance % with	Car allowance Avge amount £ a year
Corporate finance head	100,000	103,500	140,432	127,619	22.3	57	6,975
Capital markets head	90,250	118,297	170,000	128,582	74.4	33	7,305
Bond sales head	75,500	100,000	160,000	118,730	24.6	11	5,820
Fund management director	92,500	105,300	120,000	107,210	31.1	43	7,433
Eurobond trading head	75,500	95,777	127,500	100,546	51.0	30	5,710
Equity trading head	70,000	95,500	127,000	96,035	10.9	14	4,500
Private banking head	71,000	74,000	125,000	90,444	24.9	29	6,882
Head of research	73,500	92,500	105,000	87,153	30.5	56	5,960
Financial director	62,001	75,765	88,000	81,972	16.4	47	8,164
Chief fx dealer	68,340	76,250	86,796	77,455	36.9	23	6,041
Legal services head	57,605	69,250	80,000	71,900	18.7	40	6,644
Personnel director	55,000	70,000	80,000	69,927	24.2	50	7,767
Money markets head	54,750	62,924	85,000	69,231	29.0	31	6,217
D-P director	52,272	55,587	63,712	58,223	12.4	21	6,786
Credit manager	36,000	40,442	46,000	41,745	11.7	29	6,083
Customer services head	23,960	31,848	37,002	31,236	7.8	13	5,500

Source: Day Associates, Suite 2.31, 75 Whitechapel Rd, London E1 1DU; tel (071 375 1397, fax (071 375 1723

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The ideal candidate should have a University Degree in Accounting, Finance or Computer Science with a minimum of 5 years relevant experience preferably in oil or related industries.
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SIB

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Applicants must have a strong city background either from the markets or from another regulatory role. A clear understanding of derivatives is essential as is proven management and leadership skills. Diplomacy, maturity and the ability to be independently minded are key attributes.

Interested applicants should, in the first instance, contact **Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH** or phone for an information pack on **071 831 2000.** Closing date 7th March 1994.

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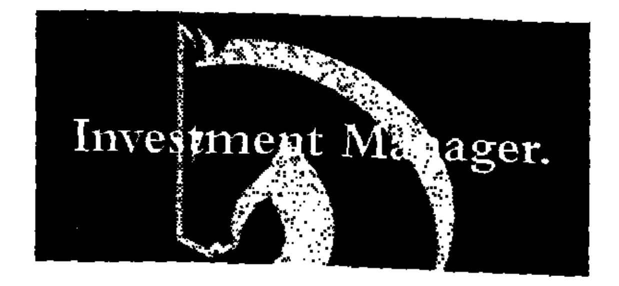

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HOARE GOVETT

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The candidate is likely to have earned a masters degree in either economics or business disciplines. In addition to possessing excellent technical skills and relevant experience at top level, the candidate should be proficient in both Italian and English languages.

An attractive salary and benefits package is being offered to the candidate who meets these requirements.

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ACCOUNTANCY COLUMN

Duty to report may not put the heat on fraudsters

Andrew Jack examines the debate on the role of auditors in detecting and acting on corporate crime

To listen to Mr Martyn Jones speak, you might think he was arguing from the Conservative benches in the House of Commons for the motion on hanging on Tuesday, rather than commenting from the solitude of his office on the debate a week earlier about auditors' duties to regulators.

"In some countries they take fraudsters out and shoot them," he says. "Here what do we do with them? They live the life of Riley, their charges are reduced before trial, their expenses are paid, they go on bail, their sentences are ludicrously short, their wives live well while they're inside, you can't find the money they've stolen, and they do an advanced accounting course to pass the time in jail.

"Meanwhile the accountancy profession sets up another committee, and adds to the Byzantine structure of standards. Every time there's a scandal, the auditor becomes the whipping boy. The fraudsters must be laughing their heads off. People forget their names, they get another job and start over again. What a fantastic way of life."

Behind the rhetoric, Mr Jones, auditing technical partner with Touche Ross, is raising some important questions about current approaches to corporate fraud detection and prevention in the UK.

His outburst has been triggered by the debate in parliament last week that has led to new statutory instruments requiring auditors to report any fraud they detect to the regulators of banks, building societies, insurance companies and the financial service sector.

The legislation was introduced in the wake of the 1992 Bingham report into the closure of the Bank of Credit and Commerce International. It suggested that the auditor's existing right in law to report fraud should be enhanced into a formal duty.

Jones and other observers of the debate are sceptical of the new amendments. They argue that auditors do currently alert regulators to fraud, either directly or more commonly through the more discreet route of putting pressure on their client to do so themselves.

The problem is not in communicating with regulators once fraud has been discovered, but in identifying it in the first place. In other words, Jones argues that auditors are very often unable to detect fraud.

"We can't put people under oath, demand powers of search, examine third parties records or premises, insist on auditing related parties, or get behind bank records to see money flows," he says. "In reality, auditors' powers are very limited."

He believes that most frauds require the use of a number of "bit players" to falsify documents or misrepresent facts which can mislead the auditors, and yet who are rarely prosecuted. His solution is to increase the punishments for those who engage in deceit.

There are currently provisions for these offences, most notably section 389A of the 1985 Companies Act, which makes it a criminal offence to deceive the auditor. But Jones calls the clause "pathetic", arguing that it is rarely used by prosecutors.

The only instance to date has been against Anthony Cole of Bestwood, who was convicted last year of making a false statement to an auditor. Charges of providing false information to auditors are also made in the current trials of Mr Nazmu Virani of Control Securities and Mr Mohammed Baqi of BCCI. Mr Muhammed Naviede faces a similar charge in the Arrows case scheduled to begin in September.

It seems that the Serious Fraud Office tends to go for "six of the best", concentrating on a few more wide-ranging charges that encapsulate the criminality of a fraud and which carry longer penalties. The risk is that these are harder to prove, and do little to deter the bit players.

Jones would like to see extra barbs added to the clause by increasing the existing maximum sentence of two years up to five, and making those found guilty personally liable for any losses caused by the fraud. He says the legislation should also be extended. The law on pension funds carries only a £400 fine for not providing information to auditors, for example. The regulations on deceiving auditors in flotation documents and for other industry sectors are weak or non-existent. He would also like to see the professional bodies take a tougher line.

These views have apparently been received with some sympathy by government. Mr Robert Hughes, head of litigation support at Ernst & Young, supports the idea of the "Nuremburg principles", by which minor players in a fraud would be unable to excuse themselves by saying that they were only obeying orders.

Mr Julian Osborne, secretary to the professional ethics committee of the Institute of Chartered Accountants in England and Wales, is less convinced. He says the institute receives at least two substantive cases a week to its anonymous ethical hotline from accountants concerned about what they have come across. He says that accountants convicted of fraud will always be subject to professional discipline, but that sometimes no trial takes place because the police and revenue authorities may reach a settlement and decide not to prosecute.

But he argues that when the institute investigates, the responsibility should generally fall on the more senior accountants at board level. "That is more equitable," he says. "The others are not in a position of power, and it may not be evident from the orders they are given that something is deceitful. They may just be told 'this is the way we're going to value stock and don't question it.'"

He would prefer new regulations to protect employees in companies, who currently have none of the guarantees or privileges of auditors such as confidentiality if they attempt to warn their superiors of suspected fraud.

A more sceptical view on Jones' case is that it throws up a smokescreen to conceal the responsibilities of auditors. Perhaps, as Mr Austin Mitchell, MP for Great Grimsby, suggested in the Commons debate last week, auditors should be under an obligation to detect fraud: a requirement already in place for auditors to local authorities.

Certainly the larger accountancy firms all offer fraud detection services. For example, Mr Ian Huntingdon from the forensic accounting team at KPMG Peat Marwick says his staff would be likely to detect more fraud than auditors examining a company. But he stresses that they are employed for a very different purpose, usually after fraud has been detected, and that the time and costs involved are considerably greater. Others argue that this more antagonistic approach to auditing would jeopardise client trust and openness.

Mr Hughes adds that there are many warning signs in every audit. "In 99 cases out of 100 they are not frauds, and the explanation is honest," he says.

Yet Mitchell's views are not isolated. Mr John Knox, deputy director of the Serious Fraud Office, argued in a speech last year that auditors very often fail to detect fraud. While one reason was the deceptions practised on them, there were many others.

These included reliance on uncorroborated representations from management; failure to identify related-party transactions; failure to understand the nature of the business; and inadequate audit testing. Auditors were all too often too trusting.

Ultimately, it is the fraudsters who deserve most attention and criticism. But in many cases, auditors have spotted the rudiments of the fraud but not drawn the right conclusions. That does not necessarily mean they have deliberately conspired to withhold knowledge of fraud from regulators. But it does mean they still need to think harder about whether they are doing enough to meet the expectations placed upon them.

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Our Client is a successful international advertising agency group, itself a constituent member of one of the largest worldwide agency groups. It operates through a number of offices located throughout Europe and also in New York, and has affiliated agencies throughout the world.

The Group is focused on an exciting major expansion strategy via acquisitions that is likely to triple its size within the next four years. As a result, a need has arisen to make a new appointment of a Financial Controller, to be a member of a very small "hands on" headquarters team based in London, reporting to and providing general assistance and support across all areas to the Chief Financial Officer of its worldwide operations.

Your main involvement will embrace reviewing and controlling subsidiary company budgets, plans and performance; providing sound and timely consolidated onward reporting to the US parent Group; evaluation and due diligence support in assessing targeted acquisitions; addressing treasury and tax issues; and a range of ad hoc projects. The role will require regular travel to Europe (and occasionally the USA) as needed.

You will be a graduate, qualified Chartered Accountant with a pragmatic and "shirtsleeves" approach and a high level of self-motivation. Possibly, you might still be in the profession, and view this as a broad-based stepping-stone into commerce.

You will be computer literate with a technically sound grasp of group consolidation and US GAAP reporting requirements, and possess good inter-personal skills. Previous exposure to the media sector is not a prerequisite, although an affinity with this business and an outgoing personality and European "outlook" would be a clear advantage. Additionally, whilst not a requirement, fluency in a relevant language would be a bonus.

You should write, enclosing a resume together with current remuneration details and daytime/evening telephone contact numbers, quoting reference 402/E on both envelope and letter, to the address below.

C F A
CHRYSSAPHES FLAMMIGER ASSOCIATES
SPECIALISTS IN SEARCH & SELECTION FOR FINANCE MANAGEMENT

Chryssaphes Flammiger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DP.

PROPERTY DEVELOPMENT

DIVISIONAL ACCOUNTANT

c£30,000 plus car and benefits
Eastern Home Counties

Our client is a property company with a turnover of circa £12 million and a substantial land bank and property portfolio. It is part of a major British group.

A Divisional Accountant is required to report to a Divisional Director. The selected candidate will be expected to make a significant contribution to the overall management of the division and duties will include being responsible for all financial reporting, providing professional advice on all areas of the division's activities and further developing the computerised systems.

Candidates for this position will be qualified accountants, aged 27 to 35 years. Experience of commercial property development would be an advantage, but in-depth knowledge of managing an accounting function and developing computerised systems is important. The selected candidate will be accustomed to doing most of his/her work personally.

Attractive benefits include a competitive salary, bonus scheme, 1.8 litre car, life cover and contributory pension scheme.

Please send your career and current salary details, together with daytime telephone number, to Richard Brasher, at the address below:

MKA MANAGEMENT CONSULTING LTD
Teutonic Place, Holyport Road
Holyport, Maidenhead, Berks SL6 2YE
Telephone (0628) 798015
Fax (0628) 798125

MKA

Finance Director

West Sussex to £50,000 + Car Allowance + Bonus + Options

Our client is a rapidly expanding, $100+ million turnover, international division of a Fortune 500 US corporation, engaged in the design, manufacture and marketing of leading edge capital equipment for the hi-tech industry. Significant ongoing investment in innovative research and development maintains the corporation's global dominance in a highly competitive sector.

The Finance Director will be responsible for all aspects of financial management, systems development, planning, international treasury, taxation and the maintenance of an effective interface with the US parent company. Particular emphasis will be given to strict control of working capital including close monitoring of R&D expenditure. As a member of the board, the overriding requirement is to provide a commercial and strategic contribution to the long term, profitable growth of the business.

Candidates, aged 34-44, will be graduate qualified accountants with a proven record of senior financial management experience gained in a US owned, multi-site, high technology, manufacturing environment. Excellent managerial and communication skills, commercial maturity, strong personal presence and high levels of drive and commitment will be essential.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref 180129, to **Mark Hurley ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

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c. £45,000 + excellent benefits — Rail express systems — Crewe

Financial Director

Rail express systems was launched in 1991 to develop the high speed movement of letters and parcels. Running trunk haul trains under contract, this £50m business is to be made autonomous and will be privatised towards the end of 1995. This presents a unique opportunity for an enterprising professional to play a major part in shaping strategy and to prepare the company for sale, with the possibility of an MBO.

THE ROLE

- Reporting to the Managing Director, responsible for a team of professionals and accountable for the full spectrum of systems, controls, investment finance, contract management and very substantial assets.
- Introduce new stand-alone accounting and management information systems, establishing a reporting infrastructure to optimise financial efficiency and identify key management issues.
- Contribute fully to the strategic planning of the business from public into private ownership. Develop audit, tax, legal and treasury relationships and plan future sources of external finance.

THE QUALIFICATIONS

- Probably ACA, with a minimum of ten years' post qualification experience in commerce. Currently a senior finance manager with an established City network.
- Proven commercial and technical abilities with a successful track record of implementing stand-alone systems within a performance-driven business.
- Persuasive communicator with stature and credibility. A team player with good interpersonal skills and the enthusiasm to meet a major challenge.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

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INTERNATIONAL AUDIT MANAGER

c£50,000 + Car + Benefits

CENTRAL LONDON

Our Client is a quoted International Company with a turnover of $1.2 billion, operating through a worldwide network of offices and facilities. The Group has market leadership in several of its business areas and is pursuing further growth through the expansion of existing activities and selective acquisitions.

Owing to their expansion, this new role has been created where your brief is to establish an influential and commercially driven International Audit Department.

A hands-on approach is required as you will assume responsibility for financial and operational audits together with the preparation of in-depth reports for submission to Senior Management and the Audit Committee. You will play a proactive role in planning and undertaking a number of ad hoc projects such as investigating new business ventures, due diligence and post acquisition analysis.

For this challenging position the suitable candidate will be a high calibre graduate ACA/CIMA/ACCA. An internal audit background and hands-on financial management exposure in an operational environment are prerequisites. As you will undertake a high percentage of worldwide travel, experience gained within an international organisation would be advantageous.

If you wish to be considered for this appointment which offers the opportunity for progression within the Group, please call **Suzanne Swycher on 071-387 5400** (evenings 071 286 2668) or write/fax your CV to her at **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN (Fax: 071 388 0857).**

FINANCIAL SELECTION SERVICES

MANAGER – FINANCIAL REPORTING

International Fund Management

To £30,000 + Bonus

CITY

Our client is one of the largest Fund Management companies in London currently with over £18 billion under management. With exciting growth plans in place for the future, career opportunities for the right individual are exceptional.

Following an internal promotion the organisation is looking to recruit an ambitious and capable professional to join a small, high-profile finance function.

Seen as a key point of contact for non-financial managers and external advisors, and reporting to Senior Management, you will take responsibility for managing the financial reporting process. This will include overseeing the control of revenue and expenditure, relevant regulatory issues, as well as the company's own money-market investments. Additionally there will be involvement in management reporting and budgeting.

You will be supported by a small team and will be responsible for their technical and professional development.

Suitable candidates will be graduate qualified Chartered Accountants (ideally aged 26-30) with an impeccable academic background coupled with proven post-qualified experience either gained from within a major public practice firm or a commercial organisation. Exposure to the Financial Services Sector whilst a plus is not a pre-requisite, although the successful candidate will have to show a keen interest in working within a service based business.

For further information and a confidential discussion contact **Lucy Ayrton on 071-387 5400** (evenings 071 223 2696) or send/fax your CV to **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN (fax: 071 388 0857).**

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Gareth Jones on 071-873 3779

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Member HSBC Group

CORPORATE FINANCE EXECUTIVES

CITY — AGE 23-27

Samuel Montagu is the UK and European merchant banking arm of HSBC Holdings plc, one of the largest and most strongly capitalised financial services organisations in the world.

The Corporate Finance department has an unrivalled reputation for its creative approach to financial opportunities. This ability is derived from the experience of a highly professional team.

The department offers advice to a wide range of companies throughout the UK and internationally. With the HSBC Group's substantial resources, Samuel Montagu has the capacity to underwrite and finance transactions of all sizes.

The company wishes to recruit a small number of executives of the highest calibre. The successful candidate will:-

- be a recently qualified accountant or solicitor from a large professional practice with some exposure to corporate finance matters or special project related work
- possess the necessary commitment and drive to succeed within this team based environment
- demonstrate an informed interest regarding recent major developments within the UK Corporate Finance Market

In return, a highly attractive package is on offer and promotion opportunities will only be limited by the successful candidates' level of achievement.

For further information, in complete confidence, please contact **Stephen Grant on 071-379 3333** (confidential fax 071-915 8714), or write to him at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.**

ROBERT WALTERS ASSOCIATES

"...creativity and innovation – the key to our continued success"

FINANCIAL CONTROLLERS

Music & Video

£40-50,000 + Car

LONDON W6

Polygram UK is one of the largest and most successful divisions of Polygram International, the world's leading global entertainment group. Their strategy of targeted acquisitions combined with organic growth has secured Polygram's success within this highly volatile market.

Within their UK divisional structure all areas of the business are represented from music to films and video. Their portfolio of successful artists is without equal, their films have achieved critical acclaim and their video catalogue includes some of the world's most popular titles.

As a result of their continuing programme of acquisitions and developments, a number of opportunities have now arisen for strong commercial Finance Professionals, to make a significant contribution to the performance of semi-autonomous business units within Polygram UK.

Reporting directly to the divisional Managing Directors and functionally to the UK Group Finance Director, you will be an important member of the management team, providing all financial and business information, driving the planning processes, interfacing with sales, marketing and production, and advising on new acquisitions and business developments. Key to your success in this role will be your ability to proactively influence the financial performance of the businesses in achieving their agreed targets.

For these demanding appointments we are seeking ambitious qualified Accountants, most likely aged 25-40, with a proven track record of achievement in a fast-moving highly commercial business environment, able to establish their authority within a creative, entrepreneurial and focussed management team. We would particularly value applications from candidates with previous experience in the music, records, films, videos and entertainment industry.

To be considered for these highly challenging roles please contact our advising consultants in confidence, **Lindsay Dell** or **Neil Wax** at **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Tel: 071-387 5400** (office) or **0895 813298 / 0923 819298** (evenings after 8pm). Alternatively fax your CV on **071-388 0857.**

PolyGram

Group Finance Director

up to £40k + bonus + car

South West

A finance director is sought for this £8m turnover privately owned group involved in clothing manufacture, distribution, retail, engineering and industrial assembly. Working closely with the MD/owner, the first task will be to substantially improve accounting and reporting systems in preparation for growth. Candidates must be qualified chartered accountants, aged mid 30s–40s, with several years' FD experience, ideally gained in a multi-site, sales-led industrial company with tight cost and management controls. This is a broad-ranging role requiring strong commercial and management skills in addition to computer literacy. Experience of treasury, acquisitions and company secretarial work would be helpful, but more important is the ability to act as the MD's right hand man in the future development of this group. Please reply, in confidence, with full career details, to Peg Eva, as adviser to the company, at Thomson Partners Ltd., 1–11 Hay Hill, Berkeley Square, London W1X 7LF.

Thomson Partners
Search and Selection

FINANCIAL DIRECTOR

£40,000 + car — **Leicester**

Our client is a profitable privately owned £25m T/O manufacturing company. Operating in the high volume, low margin market, it's customers are acknowledged as being world class, clear on their requirements, and very demanding.

Reporting to the Chairman/Chief Executive you will be responsible for the entire finance function. Aged over 32, you will be a qualified accountant that can demonstrate numerous successes as an operational F.D. As a probing challenging individual, equally effective on the shop floor as in the boardroom, you will have a passion for tight manufacturing controls and be conversant with operating in an environment where the customer monitors quality, quantity and price.

This company encourages pro-active individuals that can work on their own initiative and demonstrate the ability to manage change.

Interested candidates please write with a full Cv to Mike Jones:

MICHAEL WARWICK
Water Court, 10b St Paul's Square, Birmingham. B3 1QU
Telephone: 021 233 9303. Facsimile: 021 233 0855.

APPOINTMENTS WANTED

FINANCIAL/ COMMERCIAL DIRECTOR

Business Graduate/Chartered Accountant innovative, good management track record with broad commercial and financial experience including entertainment, media & technology in corporate (blue chip) and private sectors. Specialist knowledge in copyright, publishing, contracts and licensing. Assignments or permanent post considered (UK or Expatriate).

Write to Box B2277, Financial Times, One Southwark Bridge, London SE1 9HL.

DIRECTORS SEEKING A NEW ROLE?

Europe's leading outplacement and career management consultancy, InterExec has over 15 years' experience of managing career change for senior executives and many of Britain's largest companies.

By accessing over 6,000 unadvertised vacancies a year, mostly at £40 – £150,000 p.a. InterExec provides clients with vital market intelligence AND its subsidiary, InterMex, makes recommendations from its candidate bank without charge.

INTEREXEC — Call Keith Mitchell in London on 071 930 5041, 19 Charing Cross Road, London WC2H 0ES or Isabel Keddie in Edinburgh on 031 225 8414, 63 George Street, Edinburgh EH2 2JG

THE UK'S LARGEST SOURCE OF UNADVERTISED VACANCIES

APPOINTMENTS WANTED

FINANCE DIRECTOR
Commercially orientated Finance professional, aged 33, able to demonstrate expertise in international finance, treasury, tax planning MIS and TQM. Creative and financial input to strategy and planning, experience in acquisitions and financial restructure. Write Box B2276, Financial Times, One Southwark Bridge, London SE1 9HL.

The Institute of Chartered Accountants in England and Wales

Results of Professional Examination 2 held in December 1993

List of Successful Candidates

A

Abbott D.T. (Casson Beckman), London
Abbott M. (Ernst & Young), London
Abdul Rahim A.Z. (Arthur Andersen), London
Abel P.W. (KPMG Peat Marwick), Bristol
Aboobaker R.A.G. (Newby Castleman), Leicester
Abraham D.L. (Stoy Hayward), London
Abram P.J. (Price Waterhouse), Birmingham
Acum G.A. (Touche Ross & Co.), Manchester
Adams C.J. (BDO Binder Hamlyn), London
Adams C.T. (Arthur Andersen), London
Adams D.L. (KPMG Peat Marwick), Birmingham
Adams T.M. (Touche Ross & Co.), Bristol
Adam-Smith M.A. (Grant Thornton), London
Adamson M.R. (Price Waterhouse), Hull
Addy C.J. (Touche Ross & Co.), Leeds
Aggarwal A. (Coopers & Lybrand), Maidstone
Ahmad M.S. (KPMG Peat Marwick), London
Ahmed N. (KPMG Peat Marwick), London
Ahmed U. (Neville Russell), London
Aird A.G.S. (Price Waterhouse), London
Aldewood J.H. (Touche Ross & Co.), London
Akdeniz S.O. (Touche Ross & Co.), Milton Keynes
Alderson K.J. (Coopers & Lybrand), London
Alexander N. (Coopers & Lybrand), London
Allbegov D. (Price Waterhouse), London
Allen F.S. (Clark Whitehill), London
Allen H.C.M. (Coopers & Lybrand), London
Allen J. (Touche Ross & Co.), London
Allen L.D. (KPMG Peat Marwick), Stoke-On-Trent
Allen N.A. (KPMG Peat Marwick), London
Allen S.M. (Rosen & Co), Beaconsfield
Allsop S.J. (Bellman Messiki), London
Ambrosetti A. (Frankson S.W. & Co), Hayes
Amphlett J.J.R. (Dafforn & Co), Coventry
Anastassiades A.G. (Ernst & Young), London
Anastassiades G.G. (Coopers & Lybrand), Manchester
Anderson M.C. (Cooper Lancaster Brewers), London
Anderson M.C. (Casson Beckman), London
Anderson R.A.D. (Thomas May & Co), Leicester
Anderson S.J. (Price Waterhouse), Leicester
Anderson T.J. (Lane Heywood Davis), London
Andrews M.S. (Price Waterhouse), London
Andrewartha E.B. (Peplows), Newton Abbot
Andrews E.G. (Grant Thornton), Crawley
Ang J.S.B. (Touche Ross & Co.), Manchester
Annable M. (Coopers & Lybrand), Nottingham
Anthony R.D. (KPMG Peat Marwick), Crawley
Anton J.S. (Price Waterhouse), Middlesbrough
Aries M.A. (Touche Ross & Co.), Birmingham
Armandise G.J. (Stoy Hayward), London
Armfield P.F. (KPMG Peat Marwick), London
Arnold A.J. (Touche Ross & Co.), Birmingham
Ashton P.J. (Coopers & Lybrand), Leeds
Ashworth T.H. (Mitchells), Manchester
Aspland J.R. (MacIntyre Hudson), High Wycombe
Astley J.M. (Keens Shay Keens), Milton Keynes
Atanliak K.M. (KPMG Peat Marwick), London
Athanasiou A. (Auerbach Hope), London
Athinodorou A. (Price Waterhouse), Bristol
Atkins K.F. (Touche Ross & Co.), London
Atkinson D.J. (Touche Ross & Co.), London
Atkinson E.J. (Coopers & Lybrand), London
Atkinson J.R. (Coopers & Lybrand), London
Atkinson M.E. (Arthur Andersen), Leeds
Atkinson S.J. (Coopers & Lybrand), London
Aujla K. (Torgersens), Sunderland
Austin D.T. (KPMG Peat Marwick), Nottingham
Austin S. (Arthur Andersen), Birmingham
Austin S.D. (Moore & Smalley), Preston
Ayliffe A.H. (Coopers & Lybrand), London
Aylward C.C. (Bird Luckin), London
Azad H.S. (Grant Thornton), London
Azavedo T.L. (Touche Ross & Co.), London

B

Babilon G. (Ernst & Young), Leeds
Bacon P.J. (Moores Rowland), London
Badami M.B. (Bennett Nash, Woolf & Co), London
Baddeley S.D. (Touche Ross & Co.), Manchester
Badman N.J.R. (Arthur Andersen), London
Bagary B.S. (KPMG Peat Marwick), Southampton
Baggaley N.S. (Cooper Parry Prior & Palmer), Derby
Baggott A.D. (Coopers & Lybrand), Manchester
Bahal A. (Arthur Andersen), London
Bailey A. (Halpern and Woolf), London
Bailey S.T. (Grant Thornton), Leicester
Bain I. (Bloomer Heaven), Birmingham
Bainbridge A.D. (KPMG Peat Marwick), London
Baird C.S.C. (Price Waterhouse), London
Baird E.P. (Coopers & Lybrand), Northampton
Bakala A.B. (Potwerowski Kinast), London
Baker A.J. (KPMG Peat Marwick), London
Baker A. (Morris Owen), Swindon
Baker D.J. (Ernst & Young), London
Baker E. (KPMG Peat Marwick), Birmingham
Baker I.S. (Coopers & Lybrand), London
Baker M.L. (Coopers & Lybrand), London
Bakhshi R. (Haines Watts), Slough
Balaam M.A. (Touche Ross & Co.), Leeds
Baldock G.M. (Blakemores), London
Ball C.J. (Ernst & Young), Birmingham
Ball D.W.D. (Touche Ross & Co.), London
Bamkin N.C. (David M.A. Cound & Co), Ashby-De-La-Zouch
Banghard S. (Leach Bright), Guildford
Banks E. (Price Waterhouse), London
Banner S.P. (Touche Ross & Co.), Bristol
Barbry I. (KPMG Peat Marwick), London
Barker A. (Arthur Andersen), London
Barker D.L. (Price Waterhouse), London
Barker I.D. (Robt. A. Page & Co), Nottingham
Barker J.L. (KPMG Peat Marwick), London
Barley P. (KPMG Peat Marwick), London
Barnard P.A. (KPMG Peat Marwick), Reading
Barnes C.J. (Arthur Andersen), London
Barnes C.M. (Coopers & Lybrand), London
Barnes J.L. (Jervis Taylor & Partners), Leicester
Barnes P.A. (KPMG Peat Marwick), Crawley
Barnett P. (KPMG Peat Marwick), Nottingham
Barrand P.J. (Price Waterhouse), Bristol
Barrell A.S. (Price Waterhouse), Birmingham
Barrett C.S. (KPMG Peat Marwick), Hull
Barrett M.C. (Price Waterhouse), St. Albans
Barrett M. (KPMG Peat Marwick), Crawley
Barron A.J. (Price Waterhouse), Southampton
Barrow V.A. (KPMG Peat Marwick), Bristol
Barry M.E. (Ventham M.J. & Co), Rochford
Barton J. (Arthur Andersen), Birmingham
Barwise A.J. (Coopers & Lybrand), Manchester
Bass S. (Ernst & Young), Luton
Bassford M.P. (Maurice J. Bushell & Co), London
Batchelor A.C. (Touche Ross & Co.), London
Batchelor C.R. (Wheawill & Sudworth), Huddersfield
Batchelor L.J. (Coopers & Lybrand), London
Batchelor R.P. (Arthur Andersen), Bristol
Batten E.J.M. (Price Waterhouse), Leeds
Battey R.A.D. (Price Waterhouse), London
Battye A.C.N. (Dixon Wilson), London
Bavin N. (Rickard Keen & Co), Southend-On-Sea
Bayley L.A. (KPMG Peat Marwick), Manchester
Beadle J.S. (Kidsons Impey), Birmingham
Beard N.J. (Coopers & Lybrand), Birmingham
Beasley W.J. (Store R.N. & Co), Grimsby
Beath A.A. (Littlejohn Frazer), London
Beaton A.B. (Price Waterhouse), London
Beavan A.J. (Price Waterhouse), London
Beavan G. (BDO Binder Hamlyn), Manchester
Bedford A.K. (Ernst & Young), London
Beerling K.M. (Price Waterhouse), London
Beesley J.P. (Menzies), Kingston-Upon-Thames
Beglin M.C. (Touche Ross & Co.), London
Beighton N.T. (KPMG Peat Marwick), Nottingham
Belcher D. (Price Waterhouse), London
Bell J.A. (KPMG Peat Marwick), Nottingham
Bellamy M.W. (Coopers & Lybrand), Leeds
Bellew J.L. (KPMG Peat Marwick), Bristol
Belton M.R. (KPMG Peat Marwick), Brighton
Benbow C.J. (Cooper Parry Prior & Palmer), Derby
Benbow P.J. (Kidsons Impey), Bristol
Bennett A.D. (Ernst & Young), Jersey
Bennett J.A. (KPMG Peat Marwick), Preston
Bennett M.J. (Arthur Andersen), Birmingham
Bentham M. (Wheawill & Sudworth), Huddersfield
Bentley M.S. (KPMG Peat Marwick), Truro
Bentley R.J. (Stoy Hayward), London
Berrecloth J.H. (KPMG Peat Marwick), London
Berry G.R. (Price Waterhouse), London
Berry M.S. (Hays Allan), Exeter
Bevan C.S. (Moore Stephens), Liverpool
Beveridge A. (Coopers & Lybrand), Jersey
Bhandari N. (Ernst & Young), London
Bharadia V.V. (Coopers & Lybrand), London
Bhatara M. (Coopers & Lybrand), Birmingham
Bhathena R.D. (Touche Ross & Co.), London
Bhattacharjee P.S. (Stoy Hayward), London
Bhayat I.M. (Coopers & Lybrand), London
Bhugtiar A. (Price Waterhouse), London
Bidewell J.M. (Touche Ross & Co.), London
Bijapur S. (Arthur Andersen), London
Bill J.C. (Trevor Jones & Co.), Birmingham
Billingham M.R. (Lucraft, Hodgson & Dawes), Brighton
Billinghurst S. (KPMG Peat Marwick), Milton Keynes
Binnie C.E. (Platt Rushton & Partners), Corringham
Binns K.A. (Comins & Co), London
Bird J.M. (Kingston Smith), St. Albans
Bishop M.D. (National Audit Office), London
Bishop N.J. (KPMG Peat Marwick), Exeter
Bishop P.M. (Coopers & Lybrand), Southampton
Bithell C.P. (Touche Ross & Co.), London
Black S.D. (Kidsons Impey), London
Blackburn K.F. (Coopers & Lybrand), Bristol
Blair D.A. (Charles Rippin & Turner), London
Blair G.J. (Calder W.J. Sons & Co), London
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Boadella D.C. (KPMG Peat Marwick), London
Boak S.J. (Arthur Andersen), London
Boardman A.J. (Crouch Chapman), Colchester
Boarer C.D. (Menzies), Woking
Boddy R.P. (Coopers & Lybrand), Uxbridge
Bolitho M. (Neville Russell), London
Bolland C.J.F. (Touche Ross & Co.), Birmingham
Bolton J.C. (KPMG Peat Marwick), Hull
Bond N.E. (KPMG Peat Marwick), Basingstoke
Bonds G.B. (Begbies), London
Bonham R.W. (KPMG Peat Marwick), Birmingham
Booker C.J. (Bromhead & Co.), Plymouth
Boot N.P.W. (Ernst & Young), London
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Borowski K.G. (Grant Thornton), Leeds
Bosson C. (Price Waterhouse), Bristol
Bostock N.D. (Clark Whitehill), London
Boswell C.S. (Grant Thornton), Cheltenham
Bosworth H.E. (Josolyne & Co), Macclesfield
Botting R.A. (Booth Ainsworth), Cheadle
Bottini R.F. (Robson Rhodes), London
Bottomley L.C. (Touche Ross & Co.), London
Botwood M.J. (Clement Keys), Birmingham
Botwright S.R. (Touche Ross & Co.), London
Boulter H.E. (Touche Ross & Co.), London
Boulton S.G. (Coopers & Lybrand), London
Bowen R.W.P. (Barnes H.L. & Sons), Stratford-Upon-Avon
Bower D.J. (Duncan & Toplis), Grantham
Bowler J. (Touche Ross & Co.), Manchester
Bowles H.M.R. (Hays Allan), London
Bowron S. (Coopers & Lybrand), Birmingham
Bowtell J.P.M. (Arthur Andersen), London
Bowyer K.A. (Coopers & Lybrand), Reading
Boyce J.L. (Miell & Company), Oxford
Boyd J.J. (Price Waterhouse), St. Albans
Boyd M.J. (Saffery Champness), London
Boyland A.I. (Touche Ross & Co.), Birmingham
Bracewell M.A. (Price Waterhouse), Leeds
Bradford J.D. (Arthur Andersen), London
Bradley J.C. (Arthur Andersen), London
Bradshaw J.A. (Ernst & Young), Birmingham
Bragg S.E. (Price, Bailey), Bishop's Stortford
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Brassington M.J. (BDO Binder Hamlyn), London
Brawn R.J. (Ernst & Young), Luton
Bray H.J. (Touche Ross & Co.), London
Brazell A.T. (MacIntyre Hudson), Milton Keynes
Breach J.H.M. (Stoy Hayward), London
Bregenzer D.E. (Touche Ross & Co.), London
Brewer D.D. (Stoy Hayward), London
Bridgman J.E. (Coopers & Lybrand), Reading
Brien D.P. (Lubbock Fine), London
Briggs P.P. (Menzies), Walton-On-Thames
Brignall E.J. (Coopers & Lybrand), London
Brock J.M.C. (Price Waterhouse), London
Brocklesby M.G. (KPMG Peat Marwick), Nottingham
Brodie C.L. (Bristow Still), Hove
Brook P.R. (Coopers & Lybrand), Uxbridge
Brooker L.M. (Coopers & Lybrand), Uxbridge
Brooks K.J. (Creaseys), Tunbridge Wells
Brookshank W.F. (Moore Stephens), London
Broome N. (KPMG Peat Marwick), London
Brough N. (Coopers & Lybrand), Milton Keynes
Broughton M.S. (Moore Stephens), London
Brown A.R. (Coopers & Lybrand), London
Brown C.E. (Touche Ross & Co.), Manchester
Brown C.R. (KPMG Peat Marwick), London
Brown G.J. (Mitchell Charlesworth), Liverpool
Brown G.M. (Touche Ross & Co.), Nottingham
Brown J.R. (Coopers & Lybrand), Cambridge
Brown J.A. (Touche Ross & Co.), Manchester
Brown M. (KPMG Peat Marwick), Plymouth
Brown P.A. (Moss Woolf & Simons), Westcliff-On-Sea
Brown S.L. (Price Waterhouse), Hull
Brown T.J. (KPMG Peat Marwick), Truro
Brown V.M. (Buzzacott & Co), London
Brownsey M.D. (Coopers & Lybrand), Leeds
Bryan P.A. (Crouch Chapman), London
Bryans S. (KPMG Peat Marwick), London
Bryant D. (Price Waterhouse), London
Buckley T.J. (Griffith Clarke), Stroud
Buesnel N.C. (Coopers & Lybrand), Jersey
Bujakowski C.A. (Hale & Company), Maidenhead
Bulstrode M.R.A. (KPMG Peat Marwick), Southampton
Burchnall S.L. (Price Waterhouse), Leeds
Burge M.J. (Pridie Brewster), London
Burgess A.P.L. (Touche Ross & Co.), Manchester
Burgess G.S. (Barsham, Bradford & Hamilton), London
Burnard K.L. (Francis Clark), Plymouth
Burnett J.A. (Coopers & Lybrand), Reading
Burrell K.J. (Touche Ross & Co.), Cambridge
Burrows M.J. (Ernst & Young), Leeds
Burrows M.C. (Hacker Young), Bristol
Burt S.J. (Price Waterhouse), Cardiff
Burton T.N. (Touche Ross & Co.), Bracknell
Bustin D.J. (Touche Ross & Co.), Bracknell
Butler A.J. (Hazlewoods), Gloucester
Butler M.J. (Pearson May & Co), Bath
Butlin J.L. (KPMG Peat Marwick), Cambridge
Butt M.I. (Koshal Associates), Ruislip
Butters A.P. (KPMG Peat Marwick), Stoke-On-Trent
Butterworth R.J.T. (Ernst & Young), Bristol
Buttigieg J. (Price Waterhouse), London
Buxton N.J. (Pannell Kerr Forster), London
Bygrave D.C. (Price Waterhouse), Redhill
Byng M.L. (Grant Thornton), Birmingham
Byrne C.E. (Bishop Edmund Umbleja), Cardiff
Byrne E.M. (Stoy Hayward), London

C

Cable J.D. (Grant Thornton), Petersfield
Cain H. (Comins & Co), London
Cain M.G. (Spain Brothers & Co), Sittingbourne
Cairns A.J.A. (Ernest Francis & Son), Reading
Cairns C.S. (Brooking, Knowles & Lawrence), Basingstoke
Calderbank A.M. (Price Waterhouse), Manchester
Caldwell S.M. (Arthur Andersen), London
Cameron A.D. (Price Waterhouse), London
Cameron B.S. (Touche Ross & Co.), Leeds
Cameron J.M. (KPMG Peat Marwick), London
Campbell A. (Price Waterhouse), Birmingham
Campbell G.M. (Touche Ross & Co.), Cambridge
Campbell P. (Ernst & Young), London
Campbell R.E. (KPMG Peat Marwick), Bristol
Campion S.M. (Coopers & Lybrand), London
Campling E.A. (Sheen Stickland), Chichester
Camplisson J. (Winters), London
Canby N.W. (Arthur Andersen), Cambridge
Cara C.M. (KPMG Peat Marwick), London
Cardrick H.C.L. (Ernst & Young), London
Carey T.W. (Reads & Co), London
Carlin D.M. (Arthur Andersen), London
Carmona O.J. (Touche Ross & Co.), London
Carne J. (Hazlewoods), Gloucester
Carr S.J. (Coopers & Lybrand), London
Carr S.G. (KPMG Peat Marwick), Manchester
Carson P.J. (Revell Ward), Huddersfield
Carter D.J. (KPMG Peat Marwick), London
Carter M.L. (Touche Ross & Co.), London
Carter N.D. (Saffery Champness), High Wycombe
Carter N.R. (KPMG Peat Marwick), London
Cartwright N.R. (Clement Keys), Birmingham
Cartwright N.J. (Beavis Walker), London
Caruthers-Little R.J. (Conway Roberts & Co.), Clevedon
Cassar D.M. (Neville Russell), London
Casserly I.V.J. (Nicholass, Ames & Co.), London
Cast R.H. (National Audit Office), London
Castell B.A. (Ernst & Young), London
Caunce A.J. (Coopers & Lybrand), London
Caunce S.J. (Stoy Hayward), Manchester
Cave J.A. (Wilson Braithwaite Scholey), Leeds
Chabel J.S. (Coopers & Lybrand), London
Chalcraft S.J. (Touche Ross & Co.), Nottingham
Chamberlain P.B.S. (Fedrick & Co), Penmaenmawr
Chan C.F.L. (Ernst & Young), Luton
Chandler S.C. (Touche Ross & Co.), London
Chapman G.J. (Hays Allan), London
Chapman G.J. (Touche Ross & Co.), London
Chapman J.L. (MacIntyre Hudson), London
Chapman M.C. (Gruber Levinson Franks), Manchester
Chapman N.J. (Ensors), Ipswich
Chappell J.D. (Chantrey Vellacott), Sutton
Chare M.F. (Little & Company), Gloucester
Charlton C.C. (Ryecroft, Glenton & Co), Newcastle Upon Tyne
Charman J.A. (Ernst & Young), London
Chase-Rahman L.C. (Price Waterhouse), London
Chatterjee S. (Coopers & Lybrand), London
Chatterton S. (KPMG Peat Marwick), Bristol
Chattock J.P. (Price Waterhouse), London
Chau P.K. (Coopers & Lybrand), Leeds
Chavda A. (Price Waterhouse), Leicester
Cheese K.D. (KPMG Peat Marwick), Birmingham
Cheng S.H. (Ernst & Young), London
Cherutich S. (Ernst & Young), Birmingham
Cheung Chun Wah G.T. (Cohen Arnold & Co), London
Cheung R.L.K. (KPMG Peat Marwick), Stoke-On Trent
Cheung V.W. (Ernst & Young), London
Chhabra R.J. (Coopers & Lybrand), London
Chia E. (Ernst & Young), London
Chilton S.J. (Grant Thornton), Wellingborough
Chilvers F. (Arthur Andersen), London
Ching W.P.F. (Ernst & Young), Birmingham
Chism N.J. (KPMG Peat Marwick), London
Ch'Ng D. (Touche Ross & Co.), London
Chohan S. (BDO Binder Hamlyn), London
Christie I.M.N. (Coopers & Lybrand), London
Christodoulou E.P. (Coopers & Lybrand), London
Chua S.M. (Ernst & Young), London
Chung A.W.L. (MacIntyre Hudson), Richmond
Churchman A.J. (Ernst & Young), London
Clark A.J. (Price Waterhouse), Birmingham
Clark R.J.J. (National Audit Office), London
Clark S. (Grant Thornton), Bury St.Edmunds
Clark S.W. (KPMG Peat Marwick), Nottingham
Clarke A.D. (KPMG Peat Marwick), Bradford
Clarke H.D. (Coopers & Lybrand), London
Clarke J. (Price Waterhouse), Bristol
Clarke J.P. (Coopers & Lybrand), Reading
Clarkson S. (Neville Russell), Birmingham
Clatworthy J.E. (Ernst & Young), London
Claxton C.P. (Price Waterhouse), Nottingham
Clayden A.L. (Stoy Hayward), Reading
Clemence J.A. (Coopers & Lybrand), Uxbridge
Clement L.J. (Touche Ross & Co.), London
Cliff S. (Littlejohn Frazer), London
Clifford D.S. (Manning, Hilder & Girling), Ipswich
Clifton A.H. (Touche Ross & Co.), London
Clinton R.M. (Price Waterhouse), Nottingham
Cloke H. (KPMG Peat Marwick), Maidstone
Clover H.A. (Arthur Andersen), Cambridge
Coates S.M. (Touche Ross & Co.), London
Coberay S.M. (Simmons Cohen Fine), London
Cobley P.R. (Ernst & Young), London
Cochrane C. (Price Waterhouse), London
Cocks A.E. (Price Waterhouse), Cardiff
Codd Z.M.L. (Coopers & Lybrand), Reading
Coffee A.M.S.J. (Arthur Andersen), Reading
Coffey N.J. (Arthur Andersen), Leeds
Cole R.J. (KPMG Peat Marwick), Nottingham
Colegate S.T. (Arthur Andersen), London
Coleman M. (Coopers & Lybrand), Milton Keynes
Coleman R.J. (Coopers & Lybrand), London
Coles A.M. (Reads & Co), Jersey
Collett J.C. (KPMG Peat Marwick), Bristol
Colley P.M. (KPMG Peat Marwick), Sheffield
Collins C.P. (KPMG Peat Marwick), Guildford
Collins F.K. (KPMG Peat Marwick), Plymouth
Collins M.G. (CWA Whitehills), Haywards Heath
Collis A.J. (Pannell Kerr Forster), Nottingham
Collis E.W.F. (KPMG Peat Marwick), London
Colloff C.E. (KPMG Peat Marwick), London
Colman A.M. (Morley & Scott), Winchester
Colman D. (BDO Binder Hamlyn), Wolverhampton
Conner A.P. (Ernst & Young), Sheffield
Connolly S.J. (KPMG Peat Marwick), Cambridge
Connor J.C. (Coopers & Lybrand), London
Connor L.N. (Ernst & Young), London
Conrad-Pickles J.P. (Touche Ross & Co.), London
Conroy J.E. (Morris Owen), Swindon
Conti A.J.W. (KPMG Peat Marwick), Chepstow
Conway S.A.M. (Stoy Hayward), London
Cook D.J. (Coopers & Lybrand), London
Cook D.J. (Moores Rowland), Kingston-Upon-Thames
Cook P.D. (Pannell Kerr Forster), London
Cooke R.M. (Price Waterhouse), London
Cooksey J.E. (Touche Ross & Co.), Birmingham
Cookson L.A. (Cooper Parry Prior & Palmer), Nottingham
Cooper D.I. (Lishman, Sidwell, Campbell & Price), Harrogate
Cooper J.P. (Ernst & Young), London
Cooper J.E. (BDO Binder Hamlyn), Birmingham
Cooper P.S. (Price Waterhouse), London
Cooper S. (Coopers & Lybrand), Birmingham
Coote H. (Morison Stoneham), Guildford
Copsey S. (Grant Thornton), Corby
Corness J.L. (Fox Associates), London
Cornick R. (Baker Tilly), Yeovil
Corrie A.G. (Price Waterhouse), Windsor
Corrin T.M.G. (KPMG Peat Marwick), London
Cosson S.C. (Ernst & Young), Birmingham
Costabile M.J. (KPMG Peat Marwick), Ipswich
Coupe N.A. (Touche Ross & Co.), Manchester
Courtney M.A. (Coopers & Lybrand), Northampton
Coventry B.K. (Moores Rowland), Wilmslow
Coverdale H.F. (Price Waterhouse), Windsor
Covington M.P. (Coopers & Lybrand), London
Cowney N.E. (Arthur Andersen), Manchester
Cox A.F. (KPMG Peat Marwick), London
Cox J.N.M. (Coopers & Lybrand), Uxbridge
Cox J.M. (Clarke & Co), London
Cox J.F. (Coopers & Lybrand), London
Crabtree I.D. (Grant Thornton), Bradford
Cracknell D.P. (Touche Ross & Co.), London
Craggs C.L. (Touche Ross & Co.), London
Craig S.K. (Coopers & Lybrand), Leicester
Crane H.F. (Coopers & Lybrand), Reading
Craven S.A. (Coopers & Lybrand), Bristol
Creedon S.J. (Robson Rhodes), Leeds
Cripps A.P. (Smith Cooper & Partners), Mansfield
Critchley S.P. (Coopers & Lybrand), Manchester
Crocker P.J. (Touche Ross & Co.), Manchester
Crompton E.H. (Hawsons), Sheffield
Crompton J.P. (KPMG Peat Marwick), Manchester
Crook A.J. (KPMG Peat Marwick), Manchester
Crossman A.J. (Hook Harris), Southampton
Crouch A.L. (Price Waterhouse), Southampton
Crowder C.M. (Robt. A. Page & Co), Nottingham
Crowfoot M.C. (Ernst & Young), Birmingham
Cryer N. (Hacker Young), Nottingham
Cubbage P.V. (Ernst & Young), Leeds
Cummings T.J. (Ventham M.J. & Co), Rochford
Cunliffe B.S. (Barber, Harrison & Platt), Sheffield
Curran M.J. (National Audit Office), London
Curry P.J. (Ernst & Young), Reading
Curry S.W. (Stoy Hayward), London
Cuthbert I. (Clark Whitehill), Reading
Cutts S. (Coopers & Lybrand), London

D

Dacomb S.A. (Coopers & Lybrand), London
Dadley R.A. (KPMG Peat Marwick), London
Daly F.G. (BDO Binder Hamlyn), London
Dangerfield G. (Harper Broom Roberts), Maidenhead
Daniels R.J. (Clark Whitehill), Walsall
Dansie A.H. (Willis Parsons English with Schofields), New Milton
Darby E.A. (Stoy Hayward), London
D'Arcy G.A. (Stoy Hayward), Richmond
Dargie J.B. (Ernst & Young), London
Darlington S.B. (Touche Ross & Co.), Bracknell
Darroch L.C. (Grant Thornton), Leicester
Das Gupta D. (KPMG Peat Marwick), London
Dasgupta K. (Moore Stephens), London
Dashwood W.R. (Ernst & Young), London
Daunt T. (KPMG Peat Marwick), London
Davids J.L. (BDO Binder Hamlyn), Nottingham
Davies B.A.H. (Pannell Kerr Forster), Bristol
Davies C.J. (KPMG Peat Marwick), Birmingham
Davies F.D.H. (KPMG Peat Marwick), London
Davies H.L. (KPMG Peat Marwick), Swansea
Davies I.R. (KPMG Peat Marwick), Manchester
Davies J.R. (Chantrey Vellacott), London
Davies N.C. (Stoy Hayward), Richmond
Davies P.M. (Touche Ross & Co.), London
Davies R.G. (BDO Binder Hamlyn), Manchester
Davies S.E. (KPMG Peat Marwick), Cardiff
Davies-Evans H. (Coopers & Lybrand), Cardiff
Davis A.J. (Ernst & Young), London
Davis J.D. (Beeley, Hawley & Co), Mansfield
Davis P.M. (Coopers & Lybrand), Swansea
Daw D.S. (Ernst & Young), Bristol
Dawson D.A. (Coopers & Lybrand), Bristol
Dawson I.M. (KPMG Peat Marwick), Manchester
Dawson R.W. (David Smith Crosswaite), Harrogate
Dawson V. (Touche Ross & Co.), Nottingham
Day A.J. (Hughes Allen), Ipswich
Daymond A.M. (KPMG Peat Marwick), London
De Lisser F.G. (Arthur Andersen), Reading
De Silva R.C. (Coopers & Lybrand), London
De Souza M.J. (Touche Ross & Co.), London
Deans N.J. (Price Waterhouse), Redhill
Deans R.W.L. (Coopers & Lybrand), Maidstone
Debattista D.J. (Grant Thornton), Plymouth
Dee R.L. (Coopers & Lybrand), London
Deeley K. (Stoy Hayward), London
Deeth A.J. (Wood A & Company), Stoke-On-Trent
Degnan I.A. (Touche Ross & Co.), Birmingham
Delaney N.J. (Touche Ross & Co.), Bristol
Dempster R.W. (Reeves & Neylan), Deal
Dendle M.V. (Coopers & Lybrand), Milton Keynes
Denney K.E. (BDO Binder Hamlyn), Manchester
Dent J.A. (Cole Dickin and Hills), Seaford
Devram J.J. (Lubbock Fine), London
Dewani R.K. (Nunn Crick & Bussell), Harrow
Dhillon B.S. (Jennings Johnson), Sunderland
Dholakia H.R. (Pole Arnold), Leicester
Dickson K.E. (Dixon Wilson), London
Diggle C.S. (Ernst & Young), Manchester
Diletto M. (Meyer Williams), Hertford
Dilks H. (Ernst & Young), Nottingham
Dimsey R.W.E. (Ernst & Young), London
Dingle P. (KPMG Peat Marwick), Southampton
Dironza R. (Jervis & Partners), Northampton
Dittmer A.M. (Franklin & Co), Plymouth
Dixon L. (KPMG Peat Marwick), Leeds
Dobie A.J. (Coopers & Lybrand), Jersey
Dobson A. (KPMG Peat Marwick), London
Dodgson A. (Arthur Andersen), London
Dodhia A. (Ernst & Young), Birmingham
Dodhia J.S. (Price Waterhouse), London
Domingo L.J. (Price Waterhouse), London
Donley D.S. (Price Waterhouse), London
Dooley C.M. (Touche Ross & Co.), London
Dorey S.J. (Moore Stephens), Jersey
Doshi B.A. (Goodman Jones), London
Dougherty C.P.J. (Morgan Brown & Spofforth), Loughton
Dowling J.E. (Arthur Andersen), Bristol
Downing J.E. (Price Waterhouse), London
Doyle S.J. (KPMG Peat Marwick), Leeds
Dracacci A. (Price Waterhouse), Redhill
Drage M.S. (Stoy Hayward), London
Drew K.A. (Hilton Fish Hopkins), Torquay
Drew M.P. (Barnes Roffe), London
Drillingcourt D.W. (KPMG Peat Marwick), Manchester
Drummond M. (BDO Binder Hamlyn), Newcastle Upon Tyne
Drury S.J. (Coopers & Lybrand), Manchester
Du Temple P.E. (KPMG Peat Marwick), London
Dubb S.P. (Barnes Roffe), London
Duckworth E.J. (KPMG Peat Marwick), Milton Keynes
Dugdale M. (Robson Rhodes), Manchester
Duggan R. (BDO Binder Hamlyn), Manchester
Duke D.J.M. (KPMG Peat Marwick), Bristol
Dumbrill N.J. (Neville Russell), London
Dunand M.L. (KPMG Peat Marwick), Birmingham
Duncan A.J.M. (Price Waterhouse), London
Duncan L.K. (Price Waterhouse), Leicester
Duncumb W.R. (Shipleys), London
Dunhill N.V.A. (Neville Russell), Oxford
Dunley J.J.S. (Ernst & Young), London
Dunn A.D. (Touche Ross & Co.), Douglas
Durston F.C. (Stoy Hayward), London
Dutta S. (Touche Ross & Co.), Leicester
Dutton S. (Robson Rhodes), Crawley
Dyson C.M. (Arthur Andersen), Leeds
Dyson D.R. (KPMG Peat Marwick), Manchester

E

Eames C.U. (Stoy Hayward), London
Economides A. (Coopers & Lybrand), Birmingham
Edge K.P. (KPMG Peat Marwick), Birmingham
Edmunds D.J.R. (Crane & Partners), Bromley
Edmondson W.S. (Price Waterhouse), London
Edwards K.J. (KPMG Peat Marwick), Bradford
Edwards M.R. (Coopers & Lybrand), Uxbridge
Edwards P.J. (KPMG Peat Marwick), Exeter
Edwards R.G. (Berkeley Jackson), Shepton Mallet
Ellcock K. (Coopers & Lybrand), Manchester
Elliott D.J. (Arthur Andersen), London
Elliott G. (KPMG Peat Marwick), Crawley
Elliott K.J. (KPMG Peat Marwick), Oxford
Elliott K.B. (BDO Binder Hamlyn), London
Elliott N.P. (Arthur Andersen), London
Elliott S.J. (Ernst & Young), Birmingham
Ellis R.P. (KPMG Peat Marwick), Huddersfield
Ellis R.G. (KPMG Peat Marwick), Chepstow
Elston T.A.R. (Percy Westhead & Company), Manchester
Emery K.A. (KPMG Peat Marwick), Birmingham
Emery R.S.J. (KPMG Peat Marwick), London
Emery S.R. (Arthur Andersen), London
England K.M. (Price Waterhouse), London
England W.J.G. (KPMG Peat Marwick), London
Erman A.O. (KPMG Peat Marwick), London
Eslami D. (KPMG Peat Marwick), St. Albans
Etherington J.E. (Porter, Matthews & Marsden), Blackburn
Etherton P.C. (Coopers & Lybrand), London
Evans C.J. (Coopers & Lybrand), Birmingham
Evans D.W.D. (Coopers & Lybrand), Maidstone
Evans G.L. (KPMG Peat Marwick), Birmingham
Evans H. (Touche Ross & Co.), London
Evans M.W. (Crombie, Lacon & Stevens), Wolverhampton
Evans N.E. (Whittingham, Riddell & Co), Shrewsbury
Everall A.J. (Ernst & Young), Birmingham
Everatt D.J. (Forrester Boyd), Grimsby

F

Fahy D. (Ernst & Young), London
Fairhead R.J. (Lane Heywood Davis), London
Fairholm-Little A. (Read, Milburn & Co), North Shields
Faidley P.R. (BDO Binder Hamlyn), Nottingham
Fallon C.A. (KPMG Peat Marwick), Birmingham
Farmer D. (Touche Ross & Co.), London
Farquhar A.J. (Kingston Smith), London
Farr L.D. (Touche Ross & Co.), London
Farran R.A. (Halpern and Woolf), London
Farrell J.M. (Gruber Levinson Franks), Warrington
Farrell P.A. (BDO Binder Hamlyn), London
Farrooqi H. (Hagley, Knight & Company), Chertsey
Faruqi M.A. (Cape & Dalgleish), London
Fasey N.G. (Cooper Parry Prior & Palmer), Derby
Fawcett A.C. (KPMG Peat Marwick), London
Fazakerley E. (BDO Binder Hamlyn), Manchester
Fearn A.D. (Touche Ross & Co.), London
Feather T.D. (Touche Ross & Co.), Leeds
Feely M.A. (BDO Binder Hamlyn), Leeds
Feldman D.J. (Stoy Hayward), London
Feltham T.M. (Hughes Allen), London
Felthouse A. (KPMG Peat Marwick), Birmingham
Fenwick C.J. (Coopers & Lybrand), Bournemouth
Fernando S.A.N. (BDO Binder Hamlyn), London
Fitch P.E. (Peters, Elworthy & Moore), Cambridge
Findlay A.W.T. (Ernst & Young), London
Fisher A.J. (BDO Binder Hamlyn), Rochdale
Fisher M.B. (KPMG Peat Marwick), London
Fisher S.A. (Ernst & Young), Bristol
Fitzpatrick L.J. (Wilder Coe), London
Fitzwilliams N.C. (Nunn Brown & Dales), Gerrards Cross
Flanagan M.S. (Ernst & Young), London
Flatley P. (Hughes Allen), London
Fletcher A. (Coopers & Lybrand), London
Fletcher C.E. (Coopers & Lybrand), Maidstone
Flint W.R. (Coopers & Lybrand), London
Fluck M.A. (Touche Ross & Co.), London
Flynn P.A. (Nash Broad Wesson), London
Foddy C.G. (Donald Bates), Stoke-On-Trent
Foo C.W. (KPMG Peat Marwick), Leicester
Foord J.D. (Ernst & Young), London
Ford P.L. (Price Waterhouse), Bristol
Forrest A. (Latham Crossley & Davis), Chorley
Forrest J.C. (Barber, Harrison & Platt), Sheffield
Forrester A.C. (Coopers & Lybrand), Reading
Forshaw M.T. (Thornton, Harper & Relph), Preston
Fort D.M. (Cooper Lancaster Brewers), Bolton
Foster R.C. (Touche Ross & Co.), London
Found D.A. (Touche Ross & Co.), Leeds
Fowler M.R. (Coopers & Lybrand), London
Fox D.A. (Price Waterhouse), London
Foxcroft N.H. (Kidsons Impey), Nottingham
Francis D.J. (BDO Binder Hamlyn), Wolverhampton
Francis P.J.C. (Arthur Andersen), Reading
Francis R.D. (Day, Smith & Hunter), Maidstone
Frank G. (S.R. Southgate), Withernsea
Franklin S.A. (Pannell Kerr Forster), Norwich
Fraser J. (Touche Ross & Co.), Leicester
Frear M.E. (Coopers & Lybrand), Newcastle Upon Tyne
Freeland M.P. (KPMG Peat Marwick), Milton Keynes
Freeman M.R. (Coopers & Lybrand), Birmingham
Freeman T.P. (Thomas May & Co), Leicester
French A.K. (KPMG Peat Marwick), London
French C.A. (Stoy Hayward), London
French M.E. (Malvern & Co), London
Friedman T.W. (Hillier Hopkins), Hemel Hempstead
Froggatt H.A. (Touche Ross & Co.), London
Fry D.J. (Touche Ross & Co.), London
Fung D. (KPMG Peat Marwick), London
Fyfe C.E. (Baker Tilly), Guildford

G

Gadsby S. (Touche Ross & Co.), Bristol
Gallagher M.G. (Smith & Williamson), London
Gallagher N.C. (Ernst & Young), Hull
Gan S.S.L. (Simmons Cohen Fine), London
Gandhi S. (Fisher, Sassoon & Marks), London
Gangola A.R. (KPMG Peat Marwick), London
Garbutt J.P.W. (Coopers & Lybrand), London
Gard D.P. (Price Waterhouse), London
Garrad P. (KPMG Peat Marwick), Birmingham
Gasperini L.R. (Harris & Trotter), London
Gatehouse M. (Eacott Worrall), Burnham
Gatenby C.J. (Coopers & Lybrand), Bristol
Gavaghan D.A. (Coopers & Lybrand), London
Gavigan M.E. (KPMG Peat Marwick), Birmingham
Gavin J.J. (Coopers & Lybrand), Birmingham
Gawne-Cain S.E. (Price Waterhouse), St. Albans
Gayer J.E. (KPMG Peat Marwick), Bristol
Gee C.K.A. (Price Waterhouse), London
Geminder G. (Pannell Kerr Forster), London
Georgakis H. (BDO Binder Hamlyn), Manchester
Gerber S. (Stoy Hayward), London
Gerrard M.J. (Arthur Andersen), Manchester
Getting R.S. (Touche Ross & Co.), Birmingham
Gibbins J.M. (KPMG Peat Marwick), Norwich
Gibbon E.J. (BDO Binder Hamlyn), Manchester
Gibson M. (BDO Binder Hamlyn), Newcastle Upon Tyne
Gibson R.J. (Ernst & Young), London
Gigg K.J. (Dixon Walsh), Taunton
Gilbert D.J. (Monahans), Swindon
Gilfillan P. (Richardson, Hall, Kennedy & Co), Gateshead
Gill K.S. (Clark, Darby & Goodare), Birmingham
Gill M.J.D. (Ernst & Young), Manchester
Gill R.J. (Coopers & Lybrand), London
Gladwell D.J. (Ernst & Young), London
Gladwin P.M. (Touche Ross & Co.), Nottingham
Glyn-Smith P.A. (KPMG Peat Marwick), Leicester
Godsal L.C. (Price Waterhouse), London
Golding A.J. (Coopers & Lybrand), London
Good P.T. (Touche Ross & Co.), London
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Goodfellow C.D. (Lambert Chapman), Chelmsford
Gooding J.J. (James Worley & Sons), Kingston-Upon-Thames
Goraya B.K. (Neville Russell), London
Gordon C.R. (Price Waterhouse), Manchester
Gorman J.E. (Touche Ross & Co.), Nottingham
Gorwala K.F. (Gainsford Elliott & Co.), London
Gould M.S. (Coopers & Lybrand), London
Gower S.W. (Ernst & Young), Jersey
Gowlland N.T. (Coopers & Lybrand), London
Graham C.F. (Coopers & Lybrand), London
Grainger R.W. (Landin Wilcock & Co), Sheffield
Granger J. (Coopers & Lybrand), Leeds
Grant D.M. (Littlejohn Frazer), London
Grant R.N. (National Audit Office), London
Grassi B.C. (Arthur Andersen), London
Gray E. (KPMG Peat Marwick), Birmingham
Gray L.J. (Pannell Kerr Forster), Manchester
Gray N.L. (Ernst & Young), Newcastle Upon Tyne
Greatrex S.J. (Alexander Layton), Crewe
Green A.D. (Price Waterhouse), Leeds
Green A.N.L. (Ernst & Young), Leicester
Green B.D. (KPMG Peat Marwick), London
Green C.E. (Coopers & Lybrand), Uxbridge
Green D.L. (KPMG Peat Marwick), Leicester
Green L.E. (Touche Ross & Co.), Cambridge
Green T.C. (Price Waterhouse), London
Greenfield F.L. (Clement Keys), Birmingham
Greenfield T.F.A. (Grant Thornton), London
Greening J. (Price Waterhouse), Southampton
Greenwold K.E. (Griffin Kneill & Co), Colchester
Gregory S.L. (Ernst & Young), Bristol
Grewal I.K. (Ernst & Young), Swindon
Grewal M.K. (Littlejohn Frazer), London
Griffin J.F. (Price Waterhouse), London
Griffin J.A. (Neville Russell), London
Griffiths C.W. (Coopers & Lybrand), London
Griffiths D.C. (Ollis & Co.), Leamington Spa
Griffiths M.H. (KPMG Peat Marwick), Milton Keynes
Griffiths S.G. (Ernst & Young), Cardiff
Groom N.W. (Ernst & Young), Ipswich
Gross R.M. (Stoy Hayward), London
Groves R.H. (Grant Thornton), Crawley
Gubbay J. (Grant Thornton), London
Gudka P.D. (Elliotts), London
Gulati A. (Haslers), Woodford Green
Gumm P.D. (Ernst & Young), London
Gunn L.E. (Grant Thornton), Liverpool
Guppy A.M. (Ernst & Young), London
Gupta P.K. (Moores Rowland), Walsall
Gupta S. (Price Waterhouse), Windsor
Gupta S. (Coopers & Lybrand), Birmingham
Gurney S.J. (Keens Shay Keens), Milton Keynes
Gurnhill R.C. (Ernst & Young), London
Gwynne-Evans D. (Coopers & Lybrand), London

H

Hadjigeorgiou D.C. (Arthur Andersen), Manchester
Hagley R.J. (Robson Rhodes), Birmingham
Haines J.A. (Arnold Hill & Co), London
Hales A.J. (Hughes Allen), Chelmsford
Hall C.J. (Saffery Champness), London
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Hall D.J. (Jennings Johnson), Sunderland
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Hall M.D. (Wenn Townsend), Oxford
Hall P.J. (KPMG Peat Marwick), Sheffield
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J

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Jackson V.M. (Ernst & Young), Sheffield
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Jamil A. (Westbury, Schotness & Co.), London
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Jayson R.A. (Price Waterhouse), St. Albans
Jelmane H.S. (Price Waterhouse), London
Jenkins R. (KPMG Peat Marwick), London
Jennings G.F. (KPMG Peat Marwick), Manchester
Joannou K.N. (Touche Ross & Co.), London
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Johal M. (Price Waterhouse), London
John R. (Coopers & Lybrand), London
Johnson C.R. (Murray Smith & Co), Northwich
Johnson H. (Coopers & Lybrand), Manchester
Johnson N.A. (Touche Ross & Co.), Birmingham
Johnson T.G. (Chantrey Vellacott), London
Johnson-Firth R.P. (Barber, Harrison & Platt), Sheffield
Johnstone R.S. (Herbert Pepper & Rudland), London
Jolly S.L. (Coopers & Lybrand), Newcastle Upon Tyne
Jones A.W. (Touche Ross & Co.), London
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Jones H.L. (Price Waterhouse), London
Jones I.C. (KPMG Peat Marwick), London
Jones J.M. (Ernst & Young), Liverpool
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Jones K. (Pridie Brewster), London
Jones L. (Kanas & Partners), Manchester
Jones N.G. (Arthur Andersen), London
Jones R. (Robson Rhodes), London
Jones R. (Pannell Kerr Forster), Nottingham
Jones R.P. (Winters), London
Jones R.F.G. (Gane Jackson Scott), London
Jones R. (Shipleys), London
Jones S.J. (BDO Binder Hamlyn), Poole
Jones S.M.H. (Arthur Andersen), London
Jones S.J. (KPMG Peat Marwick), London
Jones T.E. (Fred Sheard & Sons), Huddersfield
Jones T.N. (Cooper Lancaster Brewers), London
Judge A.J. (Arthur Andersen), London
Judge L.C. (Scrutton Bland), Ipswich
Juhasz E.M. (Coopers & Lybrand), London
Julian D.A. (Cohen Arnold & Co), London

K

Kabwe G.M. (KPMG Peat Marwick), Birmingham
Kafula M.I. (Ernst & Young), London
Kalra S. (KPMG Peat Marwick), London
Kamau B.N. (Ernst & Young), London
Kamei L.S. (KPMG Peat Marwick), London
Kaplan R.A.L. (KPMG Peat Marwick), Guildford
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Karia J. (Myrus Smith & Co.), Sutton
Karney C.J. (Coopers & Lybrand), Bristol
Karnik D. (BDO Binder Hamlyn), London
Karoly J.L. (Coopers & Lybrand), London
Kassam S.B. (Price Waterhouse), Nottingham
Kay M.J. (MacIntyre Hudson), High Wycombe
Keane H. (Grant Thornton), London
Kearns J.M. (Coopers & Lybrand), Manchester
Keast A. (KPMG Peat Marwick), London
Keating D.P. (Freeman Baker), St. Albans
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Keenan S.P. (Ernst & Young), Manchester
Kejriwal A.K. (Price Waterhouse), London
Kejriwal S. (Price Waterhouse), London
Kelly J.D. (Ernst & Young), Douglas
Kelman-McConnachie J.C. (Grant Thornton), Aylesbury
Kelsall A.J. (Pannell Kerr Forster), Exeter
Kelsey J.A. (Nicholson J. & Co), Lincoln
Kemp H.C. (Burgess, Hodgson & Co), Canterbury
Kemp S. (Coopers & Lybrand), London
Kemp S.C. (Hurst & Company), Stockport
Kendall A. (Dixon Wilson), London
Kennington R.A. (KPMG Peat Marwick), Stoke-On-Trent
Kent S.M. (Coopers & Lybrand), Newcastle Upon Tyne
Kenworthy L.J. (Arthur Andersen), London
Kenyon N.D. (Coopers & Lybrand), Leeds
Kerrigan E.H. (Hacker Young), London
Kerrigan V.A. (Price Waterhouse), London
Kersey J.E. (Arthur Andersen), Manchester
Khan N. (Smailes, Goldie & Co), Hull
Khan N.A. (Arthur Andersen), London
Khan S. (Bright Grahame Murray), London
Khan S.M. (Jayson Newman), London
Khinda N.S. (Grant Thornton), London
Khosla V. (Coopers & Lybrand), London
Kiggins D.W. (Arthur Andersen), Manchester
Kilov T. (Price Waterhouse), London
King S.V. (KPMG Peat Marwick), London
King S.A.W. (Hawkins Scott), Twickenham
Kinsella K.J. (Reads & Co), London
Kirby S.J. (Coopers & Lybrand), London
Kirkbright P.A. (Grant Thornton), Bradford
Klat P. (Arthur Andersen), London
Klinkenberg M.A. (Coopers & Lybrand), Reading
Knight A.R. (Coopers & Lybrand), Cardiff
Knight B.S.J. (Arthur Andersen), London
Knight B.D. (Ernst & Young), London
Knight S.E. (Grant Thornton), Liverpool
Knights A.L. (Barron Rowles Bass), Southend-On-Sea
Knox D.A.B. (Stoy Hayward), London
Koh C.S. (Pannell Kerr Forster), London
Koh H.C. (Keyse Poulter Stern), London
Koh K.K.M. (Arthur Andersen), Reading
Kok E.S.K. (Stoy Hayward), Ewell
Kok H.L.F. (Arthur Andersen), London
Kong Yao Fah J.M.L. (Maurice Apple), London
Konu Y. (Arthur Andersen), London
Kotecha C.B. (Newby Castleman), Leicester
Kotecha R.R. (Touche Ross & Co.), Bristol
Koupparis A. (Arthur Andersen), London

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Krefting J.R.H. (Coopers & Lybrand), London
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Kumar S. (KPMG Peat Marwick), London
Kunzer D.A. (Ernst & Young), London
Kusneratis C.N. (Grant Thornton), London
Kynaston T. (Coopers & Lybrand), Manchester

L

Lacey J.D. (Arthur Andersen), Bristol
Lad B.D. (KPMG Peat Marwick), Preston
Lai S.M.C. (Arthur Andersen), London
Laing M.M. (Wagstaffs), Hitchin
Laity J.S. (Coopers & Lybrand), Jersey
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Lake J.R. (KPMG Peat Marwick), Birmingham
Lake M. (Price Waterhouse), London
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Lancaster N. (Brown & Co.), Tamworth
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Langer H.M. (Price Waterhouse), London
Lankester T.E. (Clemas, Galton & Jenkins), Poole
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Lau S.M. (Blick Rothenberg), London
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McCormick N. (Robson Rhodes), London
McCrink E.M. (Pannell Kerr Forster), Leeds
McCullough N. (Daffern & Co), Coventry
McCutcheon K. (Latham Crossley & Davis), Chorley
McFarlane I.A. (Price Waterhouse), Bristol
McFetrich L.C. (KPMG Peat Marwick), London
McGhee A.F. (Jennings, Blenkarn & Smith), Ambleside
McGinn B.J. (Arthur Andersen), Bristol
McGough R.M. (Coopers & Lybrand), Leeds
McGregor M.P. (Price Waterhouse), Manchester
McIlrath I.D.C. (Coopers & Lybrand), Uxbridge
Mackay A.F. (KPMG Peat Marwick), Preston
Mackay K.J. (Ernst & Young), London
Mackenzie D.J. (Ernst & Young), Reading
McKinnon A.S. (Ernst & Young), Bristol
Mackintosh A.J. (Price Waterhouse), Windsor
Mackney O. (Price Waterhouse), St. Albans
McLaren A.J. (Kidsons Impey), Manchester
McLaren A.L. (KPMG Peat Marwick), St. Albans
McLaughlan C. (Coopers & Lybrand), Birmingham
McLaughlin C.A. (Ernest Francis & Son), Reading
Macleod G.R. (Stoy Hayward), London
McLernon M. (Ernst & Young), Birmingham
McLoughlin M.E. (Touche Ross & Co.), Birmingham
McLuckie J. (Rycroft, Glenton & Co), Newcastle Upon Tyne
McMurtrie N.T. (Arthur Andersen), Manchester
McNamara S.M. (KPMG Peat Marwick), London
McNulty P. (Brebner, Allen & Trapp), London
McQueen J.F. (Price Waterhouse), Leicester
Maddock N.W. (Ernst & Young), London
Maeer T.J. (Townends), Pontefract
Mahendran J. (Ernst & Young), London
Mahomed E. (Coopers & Lybrand), Leicester
Main A.B.A. (Ernst & Young), London
Main P.L. (KPMG Peat Marwick), Newcastle Upon Tyne
Maingot R.S. (Touche Ross & Co.), London
Mak R.K.Y. (Clarks), Slough
Mak T.S.Y. (KPMG Peat Marwick), Guildford
Malde A.S. (Touche Ross & Co.), London
Malik A.A. (KPMG Peat Marwick), London
Maloney D. (Ernst & Young), London
Malthouse C.L. (Touche Ross & Co.), London
Malthouse C.S. (Baker Tilly), Bradford
Mamtora P.P. (KPMG Peat Marwick), London
Mandalia A.M. (Coopers & Lybrand), London
Manser D. (Milne L.S. & Co), Horley
Maniar N. (Coopers & Lybrand), London
Manley H. (Touche Ross & Co.), Nottingham
Manley N.M. (Hays Allan), London
Manning M.R. (Arthur Andersen), Bristol
Manning P.W. (Coopers & Lybrand), Uxbridge
Manson C.S. (Wilkins Kennedy), Southend-On-Sea
Mantell S.D. (Grant Thornton), London
Manton S.P. (Touche Ross & Co.), London
Margetts N. (Hacker Young), London
Margolis B. (Levy Gee), London
Margossian G. (KPMG Peat Marwick), London
Marks J. (BDO Binder Hamlyn), St. Albans
Maroo J. (Ernst & Young), Luton
Marriott I.D. (Price Waterhouse), London
Marsh D.L. (Kidsons Impey), Liverpool
Marsh K.L.G. (Robson Rhodes), Cambridge
Martin A.J. (Ernst & Young), London
Martin A.P. (Price Waterhouse), London
Martin L.R.R. (Ernst & Young), London
Martin P.W. (Touche Ross & Co.), London
Martin S.P. (Pannell Kerr Forster), London
Maslen D.J. (Touche Ross & Co.), London
Mason D.C. (Smailes, Goldie & Co), Hull
Mason F.E. (Price Waterhouse), London
Mason K. (Price Waterhouse), London
Mason N.L. (Ernst & Young), London
Mason S.E. (Baker Tilly), London
Massey R.A. (KPMG Peat Marwick), London
Masters C.R. (Coopers & Lybrand), London
Masterson N.T. (KPMG Peat Marwick), London
Mastro J. (Coopers & Lybrand), London
Matharu N.S. (Gerald Edelman), London
Mather J.P. (Beever & Struthers), Manchester
Mathieson I.F. (Littlejohn Frazer), London
Matthews R.J. (Touche Ross & Co.), Dartford
Mauger N.P. (Stoy Hayward), London
Mawdsley T.M. (A. Allen & Son), Stockport
Mawer J.L. (Ernst & Young), London
Mayes G.I. (Ernst & Young), London
Mayfield R.A. (Ernst & Young), London
Mayhew N. (Rees Pollock), London
Maynard I.R. (Price Waterhouse), London
Mayor C.A. (KPMG Peat Marwick), Exeter
Meads A.J. (Duncan & Toplis), Grantham
Meads I.P. (Touche Ross & Co.), Leicester
Medcalf T. (Touche Ross & Co.), Manchester
Mee H.R. (Haines Watts), Sheffield
Mehta M.A. (Coopers & Lybrand), Southampton
Mehta V.M. (Leigh Carr), London
Mell S.P. (Gibson Wilkinson), Barnsley
Mellors D.A. (Price Waterhouse), London
Melrose J.J. (Bates Weston), Derby
Menon N.K. (Arthur Andersen), London
Mercer J.V. (Newland, Mallett, Garner, Woodbury & Co), Bristol
Meredith N.D. (Coopers & Lybrand), Nottingham
Meredith O.D. (Kidsons Impey), London
Metcalfe A.D. (KPMG Peat Marwick), Guildford
Metcalfe S. (KPMG Peat Marwick), London
Miau J.G. (Ernst & Young), London
Michaelides E. (Price Waterhouse), London
Midgley R.H. (Stoy Hayward), Manchester
Miles J.M. (Neville Russell), Bristol
Miles N.R. (Ernst & Young), London
Miles N.A. (Ernst & Young), Bristol
Milhofer P.J. (KPMG Peat Marwick), Milton Keynes
Millar N.J. (Coopers & Lybrand), London
Miller A.B. (Coopers & Lybrand), London
Miller N.M. (Ernst & Young), London
Miller S. (KPMG Peat Marwick), Milton Keynes
Miller V.J. (Price Waterhouse), London
Millings A.S. (Price Waterhouse), London
Mills C.J. (KPMG Peat Marwick), London
Mills D.R. (Ernst & Young), London
Mirza H.A. (Neville Russell), London
Mistry D.J. (Touche Ross & Co.), London
Mistry R. (Clark Whitehill), High Wycombe
Mistry T.V. (Coopers & Lybrand), Leicester
Mitchell A.M. (Stoy Hayward), London
Mitchell K.B. (Ernst & Young), London
Mitchell L. (Coopers & Lybrand), Manchester
Mitchell N.C. (CWA Whitehills), Haywards Heath
Mitchell P.J. (Ernst & Young), Bristol
Mitilineos I.A. (Price Waterhouse), London
Mitra T. (KPMG Peat Marwick), Birmingham
Moffatt A.J. (Arthur Andersen), London
Mogford R.D. (Arthur Andersen), Birmingham
Mohammed R. (Price Waterhouse), London
Mohazab A.A. (KPMG Peat Marwick), London
Mole C.R. (Ernst & Young), London
Molton M.J. (KPMG Peat Marwick), Bristol
Moncur J.A. (Price Waterhouse), Bristol
Monk A.J. (Ernst & Young), Reading
Monro D. (KPMG Peat Marwick), Maidstone
Montford N.M. (Touche Ross & Co.), Birmingham
Moore E.M.E. (Crombie, Lacon & Stevens), Wolverhampton
Moore N.A. (Price Waterhouse), Redhill
Morarbhai N.H. (Touche Ross & Co.), Leicester
More O'Ferrall B.D. (Derek Webster & Co), London
Morgan C.D. (Price Waterhouse), Newcastle Upon Tyne
Morgan D.J. (Ernst & Young), London
Morgan J.A. (Ernst & Young), London
Morgan J.E. (Sheen Stickland), Farnborough
Morgans C. (Winters), London
Morrell A.J. (Ernst & Young), Birmingham
Morris W.S. (Phillips & Co), St. Asaph
Morrison A. (Coopers & Lybrand), Nottingham
Mort G. (Coopers & Lybrand), Manchester
Moss A.J. (Bird Luckin), London
Mott G.F. (KPMG Peat Marwick), Southampton
Mowlem C.T. (Arthur Andersen), London
Moynihan S.J. (Ernst & Young), Cambridge
Mulligan D.K. (Ernst & Young), London
Mullin T. (Touche Ross & Co.), London
Mullins M.R. (Coopers & Lybrand), London
Mumford H. (Haines Watts), High Wycombe
Munns K. (Kingston Smith), London
Murdoch A.I.M. (Coopers & Lybrand), London
Murphy A.J. (Armstrong Watson & Co), Carlisle
Murphy F.B.P.F. (Simpsons), Teddington
Murphy G.A. (Smith & Williamson), London
Murphy R.E. (KPMG Peat Marwick), London
Murphy S. (KPMG Peat Marwick), Reading
Murray J.L. (KPMG Peat Marwick), Preston
Murray J.H. (Arthur Andersen), London
Murray-Brown T.D. (KPMG Peat Marwick), Plymouth
Murrin J.C. (Ernst & Young), London
Murtagh J.E. (BDO Binder Hamlyn), London
Muskett R.C. (KPMG Peat Marwick), Truro
Muthalagappan K.S. (KPMG Peat Marwick), Birmingham
Muzoka W.S. (KPMG Peat Marwick), Leicester
Myers C.S. (KPMG Peat Marwick), London

N

Nabulsi K. (Price Waterhouse), London
Nania V.K. (Leigh Carr), London
Narracott S.G. (Coopers & Lybrand), London
Nash S.C. (Arthur Andersen), London
Nathoo E.N. (Price Waterhouse), London
Naughton M.C.C. (Coopers & Lybrand), London
Neal B.J. (Touche Ross & Co.), Manchester
Neat J.K. (KPMG Peat Marwick), Plymouth
Neech H.E. (KPMG Peat Marwick), Bristol
Needham A. (Mark J. Rees), Leicester
Neil M.R. (Coopers & Lybrand), London
Neill E.E.M. (BDO Binder Hamlyn), London
Newman D.T. (Moore Stephens), Bath
Ng K.S.Y. (Ernst & Young), London
Ng M.J. (Dixon Wilson), London
Ng S.B. (Lawford & Co.), Staines
Ng S.H. (Goldwyns), Southend-On-Sea
Ngo S.H.T. (Price Waterhouse), London
Nichols G.M. (BDO Binder Hamlyn), Nottingham
Nicholson H.M.H. (Coopers & Lybrand), London
Nicholson S.E. (Touche Ross & Co.), Liverpool
Nicolettis M.G. (KPMG Peat Marwick), London
Nisbet R.D. (Price Waterhouse), London
Nissan S. (Goodman Jones), London
Nixon J.A. (KPMG Peat Marwick), Stoke-On-Trent
Nixon P.A. (Levicks), Maidstone
Noake R.A. (Ernst & Young), London
Norris D.J. (Neville Russell), Brighton
Norris P.W. (Price Waterhouse), Middlesbrough
Nuttall A.J.R. (Robson Rhodes), Manchester

O

Oates D.J. (Stoy Hayward), London
O'Brien A.J. (Pannell Kerr Forster), Birmingham
O'Brien T.M. (Ernst & Young), Liverpool
O'Callaghan S.M.P. (Arthur Andersen), London
O'Connell B.M. (Hawsons), Northampton
O'Connell M.J. (Ernst & Young), London
O'Connor B.J. (Pannell Kerr Forster), Ipswich
O'Connor D.M. (Hartley Fowler), Horsham
O'Dalaigh A.A. (KPMG Peat Marwick), London
Oddie K.L. (Ernst & Young), Ipswich
O'Dea J.B. (Touche Ross & Co.), London
O'Donnell J.P. (Price Waterhouse), Manchester
Oguntimoju F. (Goodman Jones), London
O'Kane D.R. (Brownes), Jersey
Oldale A.D. (Ernst & Young), Manchester
Oldridge S.D.S. (Ernst & Young), London
Oldroyd S.P. (Touche Ross & Co.), Leeds
Oliver M.I. (Touche Ross & Co.), London
Olley J.N. (Bird Luckin), Chelmsford
O'Mahony J. (Arthur Andersen), Manchester
Ong A.J.C. (Kingston Smith), London
Ong N.C.Y. (Touche Ross & Co.), London
Ong Y. (KPMG Peat Marwick), Newcastle Upon Tyne
Onisiforou O. (Price Waterhouse), Manchester
O'Regan D.J. (Price Waterhouse), Leeds
Osborne J. (Touche Ross & Co.), Liverpool
Osborne T.C. (Ernst & Young), London
Osmant A.M. (Touche Ross & Co.), Cambridge
Oszywa M.N. (Coopers & Lybrand), London
Outram J. (Ernst & Young), Hull
Owen J.S. (Kidsons Impey), Hove
Owen R.P. (Reeves & Neylan), Canterbury

P

Pabari M.R. (Touche Ross & Co.), London
Page D. (Touche Ross & Co.), London
Page M.C. (Kidsons Impey), Hove
Page M.J. (Coopers & Lybrand), Cambridge
Painter P.A. (Arthur Andersen), Birmingham
Palframan S. (Ernst & Young), Reading
Palfrey M.J. (Arthur Andersen), London
Paling R.J. (Coopers & Lybrand), Nottingham
Palmer C.M.J. (Leach & Co), Richmond
Pamphilon R.A. (Price Waterhouse), St. Albans
Pan L.P.I. (Touche Ross & Co.), London
Pang A.O.C. (BDO Binder Hamlyn), Bristol
Pankhania J. (Coopers & Lybrand), Uxbridge
Papalambrianou L. (KPMG Peat Marwick), Nottingham
Papps J.C.T. (Coopers & Lybrand), London
Parameswaran K.G. (Littlejohn Frazer), London
Parfitt J.M. (Stoy Hayward), Richmond
Park M.J. (Rawlinson Milne Booth), Bradford
Parker A.G. (Ernst & Young), Birmingham
Parker A.J. (Everett Collins & Loosley), Leighton Buzzard
Parker C.J. (Richard Place & Co), Crawley
Parker G.P. (Arthur Andersen), London
Parker K.H. (Stoy Hayward), London
Parkes M. (Coopers & Lybrand), Manchester
Parmar D.M. (Coopers & Lybrand), Birmingham
Parnell J.G. (Touche Ross & Co.), Southampton
Parratt N.D. (BDO Binder Hamlyn), Manchester
Parrett J.E. (McBrides), Sidcup
Partridge C.E. (Coopers & Lybrand), Northampton
Partridge L.E.M. (Arthur Andersen), Birmingham
Pashoulis M.C. (Coopers & Lybrand), London
Patel A.R. (Coopers & Lybrand), London
Patel A.C. (Barnes Roffe), London
Patel A. (Price Waterhouse), London
Patel S.V. (Ernst & Young), London
Patel S.N. (Goodman Jones), London
Patel S.R. (Price Waterhouse), London
Patel S. (KPMG Peat Marwick), London
Patel V. (Price Waterhouse), London
Paterson A.B. (Ernst & Young), London
Paterson A.L. (KPMG Peat Marwick), Bradford
Patrick C.A.S. (KPMG Peat Marwick), London
Pay A. (Foster Squires), London
Payne C.J. (Kidsons Impey), Manchester
Payne E.A. (Neville Russell), Bedford
Payne M.B. (Stoy Hayward), London
Peagram R.M. (Arthur Andersen), London
Pearce D. (Price Waterhouse), London
Pearce J.G. (Coopers & Lybrand), Maidstone
Pearce N.J. (Lishman, Sidwell, Campbell & Price), Ripon
Pearson E.J. (Coopers & Lybrand), London
Pearson M.J. (Price Waterhouse), Southampton
Pearson S.M. (Coopers & Lybrand), London
Peerbocus S.B. (Touche Ross & Co.), London
Penberthy N.J. (National Audit Office), London
Pendered W.M. (Stoy Hayward), Richmond
Penn G.F.J. (Touche Ross & Co.), Cambridge
Pennie K.L. (Ernst & Young), Newcastle Upon Tyne
Penny S.M. (Coopers & Lybrand), Bristol
Pepper H.W.T. (Coopers & Lybrand), Maidstone
Pepper M.G.T. (Ernst & Young), London
Percival J.C. (KPMG Peat Marwick), London
Perks H. (Coopers & Lybrand), Birmingham
Perrin M.A. (Rothman Pantall & Co.), Eastleigh
Perry C. (KPMG Peat Marwick), Reading
Perumal A.R.A. (KPMG Peat Marwick), London
Peters A.J. (Coopers & Lybrand), London
Peters C. (Coopers & Lybrand), London
Peters C.J. (Ernst & Young), Leeds
Petri D.J. (Coopers & Lybrand), Birmingham
Petsas G.N. (Chegwidden & Co), Chadwell Heath
Pett M. (Ernst & Young), London
Pettifar T.S. (KPMG Peat Marwick), Cambridge
Phillips M.R. (Price Waterhouse), Windsor
Phillips N.J.V. (Price Waterhouse), London
Phillips R.A. (Coopers & Lybrand), Nottingham
Pickering C.E. (Coopers & Lybrand), Liverpool
Picot S. (Clark Whitehill), Cheltenham
Piercy B.A. (Pannell Kerr Forster), Liverpool
Piercy D.E. (Hall Livesey Brown & Co.), Chester
Pike C.P.R. (Ernst & Young), Bristol
Pike R.N. (Price Waterhouse), Newcastle Upon Tyne
Piper C.J. (KPMG Peat Marwick), London
Pirbhai Q.Y. (Coopers & Lybrand), Reading
Pissourios M.M. (KPMG Peat Marwick), Manchester
Place J.A. (Citroen Wells), London
Plane D.E. (BDO Binder Hamlyn), London
Platt M.A. (KPMG Peat Marwick), London
Platts J.S. (Ernst & Young), London
Plumpton G. (Touche Ross & Co.), Jersey
Pogson T.K. (Ernst & Young), London
Ponting J.L. (Coopers & Lybrand), London
Pook V.J. (Ernst & Young), Birmingham
Pooley M. (Hollingdales), Bristol
Poon W. (KPMG Peat Marwick), London
Port V.A. (Coopers & Lybrand), Maidstone
Porter T.J. (Coopers & Lybrand), Northampton
Pottage S.D. (BDO Binder Hamlyn), Leeds
Potter A. (Touche Ross & Co.), London
Potter A.F. (Coopers & Lybrand), Manchester
Potter I.R. (Coopers & Lybrand), Liverpool
Poundall K.P. (BDO Binder Hamlyn), Wolverhampton
Powell C.M.F. (Touche Ross & Co.), Bracknell
Preston C.J. (Touche Ross & Co.), London
Preston G.J. (Touche Ross & Co.), London
Previero M. (Coopers & Lybrand), London
Price C. (Coopers & Lybrand), London
Price J.H.V. (Price Waterhouse), London
Price M.G.J. (Ernst & Young), Luton
Price S. (Price Waterhouse), London
Priestley N.B. (KPMG Peat Marwick), London
Pringle S. (BDO Binder Hamlyn), London
Prior M.E. (KPMG Peat Marwick), Milton Keynes
Pritchard L.J. (Hawsons), Sheffield
Procter J.M. (Ernst & Young), London
Proctor S.J. (Grant Thornton), Portsmouth
Prowting S.C. (Prowting & Partners), Bristol
Purdy R.G. (KPMG Peat Marwick), Manchester
Purvis M.J. (Coopers & Lybrand), Maidstone

Q

Quest J.E. (Touche Ross & Co.), London
Quigley A.S. (Robson Rhodes), Crawley
Quinton A.P. (KPMG Peat Marwick), London
Quraishi A. (Touche Ross & Co.), London

R

Rabin A.P. (Coopers & Lybrand), London
Radley P. (KPMG Peat Marwick), Cardiff
Rae J.H. (McBrides), Sidcup
Rahman S.S. (Touche Ross & Co.), London
Rainbow D. (KPMG Peat Marwick), Milton Keynes
Rainbow S.J. (Coopers & Lybrand), Newcastle Upon Tyne
Raja S.A. (Price Waterhouse), London
Rajan D.S. (Coopers & Lybrand), London
Rajanandan R.S. (Arram Berlyn Gardner), London
Rajasekaran P. (KPMG Peat Marwick), London
Rajput S. (KPMG Peat Marwick), London
Ramankutti R. (Bright Grahame Murray), London
Rambocus R.K. (Lemon & Co), London
Ramsey N.M. (Clark Whitehill), Kidderminster
Ranadive K.A. (KPMG Peat Marwick), London
Randall B.D. (Ernst & Young), London
Randall P.L. (Coopers & Lybrand), Swansea
Randhawa G.J.S. (Ernst & Young), Birmingham
Rannard A.J. (Critchleys), Oxford
Raraty D.G.J. (National Audit Office), London
Rathbone D. (Lovewell Blake), Norwich
Rathbone W.L. (Touche Ross & Co.), Birmingham
Ravat H. (KPMG Peat Marwick), London
Rawcliffe J.M. (Aitken Browne), Hull
Rawlings C.C. (Arthur Andersen), London
Rayson L. (Touche Ross & Co.), Birmingham
Razzaq I. (Coopers & Lybrand), Manchester
Reed T.J. (Kidsons Impey), London
Rees D.J. (Geen F. & Co), Stoke-On-Trent
Rees S.G. (Kingston Smith), London
Reid M.P. (Grant Thornton), Leicester
Renton E.P. (KPMG Peat Marwick), London
Revitt J.C. (Pannell Kerr Forster), Sheffield
Reynolds D.J. (KPMG Peat Marwick), London
Reynolds M.J. (KPMG Peat Marwick), Basingstoke
Rezaifard P. (Kidsons Impey), London
Rhymer A.S.J. (Price Waterhouse), Windsor
Rice C. (Arthur Andersen), London
Rice J.A. (KPMG Peat Marwick), Derby
Richards H. (Buzzacott & Co), London
Richards M.E. (Touche Ross & Co.), Bristol
Richardson E.A. (KPMG Peat Marwick), Reading
Richardson J.E. (Arthur Andersen), Leeds
Richmond A.D. (Morley & Scott), London
Rickeard T.J. (Ernst & Young), London
Rickson K. (Barron Rowles Bass), Bromley
Ridgway I.J. (Coopers & Lybrand), Birmingham
Riley J.D. (Ernst & Young), Newcastle Upon Tyne
Rippon N.L. (Price Waterhouse), Leeds
Ritchie S.A. (Jennings Johnson), Sunderland
Robb A.J. (KPMG Peat Marwick), Manchester
Robbins P.M. (Ernst & Young), Leeds
Roberts B.S.S. (Conway & Co), Chester
Roberts C.E. (BDO Binder Hamlyn), London
Roberts D.G. (Ernst & Young), Birmingham
Roberts D.J. (Smith Starmer Hart), Stamford
Roberts J.M. (KPMG Peat Marwick), Birmingham
Roberts J.W. (Moore Stephens), London
Roberts N.J. (Touche Ross & Co.), Cardiff
Roberts P.A. (Price Waterhouse), London
Robertshaw V.J. (Arthur Andersen), London
Robertson G.A. (Larking Gowen), Norwich
Robertson I.G. (Touche Ross & Co.), London
Robertson I.P. (BDO Binder Hamlyn), London
Robertson S.A. (Price Waterhouse), London
Robins R.H. (KPMG Peat Marwick), St. Albans
Robinson E. (Price, Bailey), Cambridge
Robinson N.A. (Touche Ross & Co.), Jersey
Robinson S.T. (Jordan, Brookes & Co.), Winchester
Robinson T. (Ernst & Young), Bristol
Robotham P.A.N. (Lewis Golden & Co), London
Robson H. (Coopers & Lybrand), Northampton
Robson P.A. (Grant Thornton), Northampton
Roche J. (Holden, Harrison & Co), Manchester
Rocke T.R. (Price Waterhouse), London
Rodney S. (BDO Binder Hamlyn), London
Rodrigues F.X. (Ernst & Young), London
Rodrigues R. (BDO Binder Hamlyn), London
Rodwell P.R.G. (Touche Ross & Co.), Bournemouth
Rogers A.R. (Ernst & Young), London
Rogers I.M. (Peters, Elworthy & Moore), Saffron Walden
Rogers J.M. (KPMG Peat Marwick), London
Rogers M.I. (Lane Heywood Davis), London
Rogers S.A. (Touche Ross & Co.), London
Rona D.P. (Fraser & Russell), London
Rooke T.J. (Ernst & Young), London
Roose A.E. (Roberts McLennan), Chichester
Root M.J. (Coopers & Lybrand), Cambridge
Rorison C.J. (KPMG Peat Marwick), Birmingham
Roscoe P.A. (Arthur Andersen), Leeds
Rose A. (Price Waterhouse), Birmingham
Rose J.A. (Hazlewoods), Gloucester
Rose M. (Ernst & Young), London
Roseff J. (Berkeley Jackson), Shepton Mallet
Ross K.S. (Arthur Andersen), London
Rothwell M. (KPMG Peat Marwick), Preston
Rough C.J. (Ernst & Young), London
Rowan Hamilton G.W. (Ernst & Young), London
Rowan K. (Barber, Harrison & Platt), Sheffield
Rowe S.D. (Goldwyns), Southend-On-Sea
Rowley E.K. (Ernst & Young), London
Rowley K.L. (Ernst & Young), London
Rozenbrock J. (Percy Westhead & Company), Manchester
Rudman A.A.H. (Pannell Kerr Forster), London
Ruelle P.J. (Touche Ross & Co.), Cardiff
Rush A. (Alliott Wingham), Fareham
Rushton P.S. (Latham Crossley & Davis), Chorley
Russell J.A. (KPMG Peat Marwick), Norwich
Russell M.H. (Arthur Andersen), London
Rutherford C.M. (KPMG Peat Marwick), London
Rutherford D.G.N.T. (Ernst & Young), Newcastle Upon Tyne
Rutherford M.L. (Price Waterhouse), London
Rutledge M. (Coopers & Lybrand), London
Ryan N.J. (KPMG Peat Marwick), London

S

Saboowala N. (Hays Allan), London
Sacks A.M. (Wheawill & Sudworth), Huddersfield
Sadarangani D.B. (KPMG Peat Marwick), London
Sagayam S.C. (Ernst & Young), London
Saha T. (Price Waterhouse), Manchester
Saker N.C. (MacIntyre & Co), London
Salmon C.D. (Goldwyns), Southend-On-Sea
Salt G.J. (Touche Ross & Co.), Manchester
Salter D.A. (Ernst & Young), London
Sampson J. (KPMG Peat Marwick), London
Samsuddin S. (Everett & Son), London
Samway H.M. (Johnson Tidsall), Derby
Sanders R.D. (Coopers & Lybrand), London
Sargent A.J. (Blease Lloyd), London
Sargent R.A. (Price Waterhouse), London
Sargent S.W. (Streets & Co), Lincoln
Sato S. (Coopers & Lybrand), London
Satterthwaite M. (KPMG Peat Marwick), Sheffield
Saul I. (Brown, Butler & Co), Leeds
Saul T.J.B. (Dixon Wilson), London
Saunders D.J. (Grant Thornton), High Wycombe
Saunders J.D. (Robson Rhodes), London
Saunders M.S. (Price Waterhouse), London
Savage H.J. (KPMG Peat Marwick), Bristol
Savage J.F. (KPMG Peat Marwick), London
Saveall R.B. (Moore Stephens), London
Schechter M. (Nyman Libson Paul), London
Schick A. (KPMG Peat Marwick), London
Schofield J.A. (Cooper Lancaster Brewers), Manchester
Schwenk S.F. (Coopers & Lybrand), London
Scobbie M.D. (KPMG Peat Marwick), Liverpool
Scott L.A. (Price Waterhouse), London
Scott R.I. (Touche Ross & Co.), Bracknell
Scott S.P. (BDO Binder Hamlyn), London
Scuse J. (Arthur Andersen), London
Seabourne F.T. (Bright Brown), Newport
Seal Coon P.S. (Coopers & Lybrand), London
Sealey A.G. (Ernst & Young), Southampton
Seddon A.J. (Price Waterhouse), Windsor
Seddon G. (Ernst & Young), London
Segal J.A. (Price Waterhouse), London
Segal K.V. (Arthur Andersen), London
Sehmi S.S. (KPMG Peat Marwick), London
Sellars K. (Price Waterhouse), London
Semmens H.M. (Coopers & Lybrand), Manchester
Semple C. (Ernst & Young), Leeds
Service A. (Coopers & Lybrand), Croydon
Shackell C.E. (Edwin Smith), Reading
Shafi N. (Critchleys), Oxford
Shah A. (Arthur Andersen), London
Shah A. (KPMG Peat Marwick), London
Shah B.M. (Fisher, Sassoon & Marks), London
Shah D. (Touche Ross & Co.), Milton Keynes
Shah D.K. (Coopers & Lybrand), London
Shah D.V. (Barrat & Co), London
Shah H.R. (KPMG Peat Marwick), London
Shah K.M. (Price Waterhouse), London
Shah N.N. (Touche Ross & Co.), London
Shah N. (Coopers & Lybrand), London
Shah R. (Touche Ross & Co.), London
Shah R.D. (Price Waterhouse), London
Shah R. (Wilson Green), London
Shah S. (Price Waterhouse), London
Shaida F.M. (Coopers & Lybrand), London
Shallish S.E. (Coopers & Lybrand), Milton Keynes
Shant M. (Touche Ross & Co.), Leicester
Sharma H. (BDO Binder Hamlyn), London
Sharma N.L. (Grant Thornton), Oxford
Sharma R. (Leigh, Sorene & Lawson), London
Sharman J.E. (Grant Thornton), Southampton
Sharman J.M. (KPMG Peat Marwick), London
Sharman M.J. (Reads & Co), London
Sharman P.R. (Jordan, Brookes & Co.), Winchester
Sharp S.L. (KPMG Peat Marwick), Milton Keynes
Sharpe A.J. (Price Waterhouse), London
Sharpe G.D. (KPMG Peat Marwick), London
Sharpe K. (National Audit Office), London
Shaw J.R. (Coopers & Lybrand), Cambridge
Shaw J. (Coopers & Lybrand), London
Shaw M.J. (Bird Luckin), Brentwood
Shaw S.A. (Lacy, Watson & Co), Stockport
Shearer J. (Touche Ross & Co.), Leeds
Shearman J.A. (KPMG Peat Marwick), Leeds
Shears M.A. (Touche Ross & Co.), Southampton
Sheikh H. (Gane Jackson Scott), London
Sheikh N.H. (Touche Ross & Co.), London
Shenkman S.R. (KPMG Peat Marwick), Manchester
Shepherd C.J. (Blick Rothenberg), London
Shepherd P. (Coopers & Lybrand), Manchester
Shepherd-Themistocleous L. (Moore Stephens), London
Sheppard M.G. (Coopers & Lybrand), London
Sherlock A.M. (Coopers & Lybrand), London
Sherlock E.S. (Coopers & Lybrand), London
Shewring D.J. (Arthur Andersen), Reading
Shukla N. (KPMG Peat Marwick), London
Silverbeck A.D. (Arthur Andersen), London
Simcox T. (Lings), Derby
Simmers P.R. (Price & Company), Eastbourne
Simou T.C. (Nash Broad Wesson), London
Simpson A.H. (Coopers & Lybrand), London
Simpson A.C. (Price Waterhouse), Manchester
Sims M.D. (Moore Stephens), London
Sinclair K. (James & Cowper), Newbury
Singer D.D. (Price Waterhouse), London
Singh A. (Alexander P.S.J. & Co), London
Singh H. (Ernst & Young), Luton
Singh J. (Coopers & Lybrand), Birmingham
Singleton R.B. (BDO Reads), Guernsey
Sinton A.P. (Arthur Andersen), London
Sisley R.D. (Coopers & Lybrand), Maidstone
Skarpari M. (BSG Valentine), London
Skinner S.J.B. (Price Waterhouse), London
Slade A.J.T.W. (Coopers & Lybrand), Reading
Slade R.P. (Touche Ross & Co.), Bracknell
Slater D.R. (Littlejohn Frazer), London
Slater K.D. (Arthur Andersen), London
Sleator L.J. (Arthur Andersen), London
Sleet H.A. (Touche Ross & Co.), London
Smailes N. (Grant Thornton), Leeds
Smallwood P. (Burgis & Bullock), Nuneaton
Smeeton N.J. (Parkine Purkis & Co), Southend-On Sea
Smerdon J.C. (Coopers & Lybrand), London
Smetham C.D.M. (Freedman Ross), Leeds
Smith A. (Price Waterhouse), London
Smith C.J.H. (KPMG Peat Marwick), Birmingham
Smith C.J. (KPMG Peat Marwick), Leicester
Smith D.I. (Cohen Arnold & Co), London
Smith F.M. (Beechams), London
Smith H. (Guilfoyle, Sage & Co), Cardiff
Smith M.A. (Mitchells), Bishop Auckland
Smith M.C. (Ernst & Young), London
Smith M.P. (Day, Smith & Hunter), Maidstone
Smith M.A. (Guilfoyle, Sage & Co), Newport
Smith M.D.G. (Coopers & Lybrand), Reading
Smith P.G. (Jennings Johnson), Sunderland
Smith P.L. (Coopers & Lybrand), Birmingham
Smith R.I. (Arthur Andersen), London
Smith R.M. (Ruffers & Co), Coventry
Smith S.H. (KPMG Peat Marwick), Leeds
Smith S.K. (Walker W.J. Son & Co), London
Smith S.C. (Ernst & Young), London
Smith S.M. (Ernst & Young), London
Smith T.A. (Price Waterhouse), Manchester
Smith V.A. (KPMG Peat Marwick), Manchester
Smyth A.D. (Ernst & Young), Leeds
Snowdon S. (KPMG Peat Marwick), Darlington
Sohi K.S. (Coopers & Lybrand), Birmingham
Solanki V. (Coopers & Lybrand), London
Solomon C. (KPMG Peat Marwick), Chelmsford
Somerville R.P. (Touche Ross & Co.), Leeds
Sonecha K. (Kidsons Impey), Coventry
Sorrell B.A. (Chantrey Vellacott), Watford
South S.M. (Wise & Co), Farnham
Southern S.K. (KPMG Peat Marwick), Cambridge
Spackman S.C. (Coopers & Lybrand), London
Spanner J.E. (Rees Pollock), London
Speakman C.L. (Alleys), Altrincham
Spencer C. (Ernst & Young), Cardiff
Spencer-Gregson C.F. (Touche Ross & Co.), London
Spickman M.E. (Ernst & Young), London
Spilsbury R.J.L. (Coopers & Lybrand), Leeds
Spiring P.J. (Coopers & Lybrand), Croydon
Spiteri B. (Moore Stephens), Bath
Spofforth R.C.P. (Morison Stoneham), London
Springett I.M. (Fraser & Russell), London
Springthorpe S.J. (KPMG Peat Marwick), Reading
Spurgeon P.A. (Price Waterhouse), London
Stacey J. (Touche Ross & Co.), Leeds
Stacey L.J. (Peter Riley & Co), Plymouth
Stack S.P. (Price Waterhouse), London
Staddon S.R. (Larkings), Maidstone
Stanley R.B. (Coopers & Lybrand), London
Stanley P.D.S. (KPMG Peat Marwick), London
Stannard G.M. (Price Waterhouse), Bristol
Stapleton M.G.R. (Price Waterhouse), London
Stapley M.A. (Coopers & Lybrand), London
Starrin R.R. (Coopers & Lybrand), London
Stead A.G. (Grant Thornton), Poole
Stearn R.J. (Coopers & Lybrand), Leeds
Stephens D.A.S. (Arthur Andersen), London
Stephens S. (Price Waterhouse), London
Stephenson C. (Arthur Andersen), Manchester
Stevens K.M. (Hartley Fowler), Horsham
Stevens M.C. (Ernst & Young), London
Stevens H.R. (Bolton-Colby), Staines
Steward J.M. (Price Waterhouse), London
Stewart O.R. (KPMG Peat Marwick), London
Stiff G.W. (Grant Thornton), Bedford
Stilwell R.E.N. (Price Waterhouse), London
Stobbart L. (Price Waterhouse), Leicester
Stockmann C.A. (KPMG Peat Marwick), Leeds
Stoker D.A. (Ernst & Young), Jersey
Stone N. (Arthur Andersen), London
Stone P.A. (Morley & Scott), Slough
Stone N.M. (KPMG Peat Marwick), London
Stonor A.M. (Price Waterhouse), London
Storah J.D. (Pannell Kerr Forster), Manchester
Stott M. (Dixon Wilson), London
Stratford P.J. (Price Waterhouse), Redhill
Stringer P.W. (Haslams), Warrington
Stronach C.J. (Touche Ross & Co.), London
Strong R.W.J. (Coopers & Lybrand), Reading
Stroud S.L. (Price Waterhouse), London
Stuart P.E. (Ernst & Young), Belfast
Sturgess R.M. (Ernst & Young), Birmingham
Suckling A. (KPMG Peat Marwick), London
Sullivan A.G.J. (Littlejohn Frazer), London
Sullivan T.A. (McBrides), Sidcup
Summerbell M. (Coopers & Lybrand), London
Surridge A.M. (Baker Tilly), Crawley
Sutaria P.P. (Landau Morley), Wembley
Sutcliffe J. (Kingston Smith), St. Albans
Sutton L.J. (Wilson Braithwaite Scholey), Leeds
Sutton N.N. (Arthur Andersen), London
Swain C.L. (Ernst & Young), London
Swanson T. (Murray McIntosh O'Brien), Waterlooville
Swarbrick D.I. (Touche Ross & Co.), Manchester
Swarbrick J.A. (Arthur Andersen), Birmingham
Swift S. (Touche Ross & Co.), Manchester
Swmerd M.F. (KPMG Peat Marwick), Maidstone
Sylvester C.C. (Coopers & Lybrand), London

T

Taccone A.M. (Ernst & Young), London
Tadd S.E. (Peplows), Newton Abbot
Tam J.M.K. (Touche Ross & Co.), London
Tan I.A.L. (Coopers & Lybrand), Birmingham
Tarbatt R.J. (Arthur Andersen), Nottingham
Tareen T.A. (Simmons Cohen Fine), London
Tarrant J.M. (Price Waterhouse), Windsor
Tatham J.G. (Touche Ross & Co.), Birmingham
Tauscher A.J. (Coopers & Lybrand), Guernsey
Taylor A. (Stoy Hayward), Bromley
Taylor A. (Coopers & Lybrand), Manchester
Taylor A.W. (Ernst & Young), London
Taylor A.E. (Ernst & Young), Ipswich
Taylor E.M. (Ernst & Young), London
Taylor J. (Creers), York
Taylor K. (Coopers & Lybrand), Leeds
Taylor M.D. (Ernst & Young), London
Taylor R.J. (Touche Ross & Co.), London
Taylor S.R. (Coopers & Lybrand), London
Tebbutt J.M. (Ernst & Young), Bristol
Teoh J.B.H. (Neville Russell), Sutton
Teoh Y.M. (KPMG Peat Marwick), London
Terrell R.J. (Coopers & Lybrand), Reading
Terry C.J. (Morton Thornton), St. Albans
Terry M.S. (Coopers & Lybrand), Leeds
Teshome S. (Arthur Andersen), Leeds
Testa W.J. (Ernst & Young), London
Thacker M. (Price Waterhouse), London
Tham R.S. (Price Waterhouse), London
Tharmaratnam N. (KPMG Peat Marwick), Chepstow
Thearia S. (Coopers & Lybrand), Birmingham
Thelwall-Jones S. (Coopers & Lybrand), Reading
Thio C.P.L. (Price Waterhouse), Hull
Thomas D.R. (Walter Hunter & Co), Newport
Thomas J.R. (Arthur Andersen), London
Thomas J. (Grant Thornton), Banbury
Thomas R.J. (Pannell Kerr Forster), London
Thomas S.R. (Wilson Braithwaite Scholey), Leeds
Thomason D. (Coopers & Lybrand), Manchester
Thompson G. (Coopers & Lybrand), Birmingham
Thompson I. (Hook Harris), Southampton
Thompson K.J. (KPMG Peat Marwick), London
Thomson H.S.F. (Ernst & Young), London
Thomson P.J. (Price Waterhouse), Middlesbrough
Thorley A.M. (Ernst & Young), London
Thornely V.J. (Price Waterhouse), London
Thornhill W. (Arthur Andersen), London
Thraves J.M. (Coopers & Lybrand), London
Tigwell P.J. (Beer Aplin), Exeter
Till M.A.S. (Arthur Andersen), London
Tillett M.R. (Price Waterhouse), London
Tilley L.J. (Willis Parsons English with Schofields), Poole
Ting S.C.K. (Ernst & Young), London
Titchin A. (Kidsons Impey), Birmingham
To I.C.M. (Haines Watts), Leeds
To K.W. (KPMG Peat Marwick), London
Todd A.J. (KPMG Peat Marwick), Leeds
Tomalin M.I. (Kidsons Impey), Nottingham
Tomlin S.L. (Touche Ross & Co.), Bracknell
Tomlinson J.C. (Coopers & Lybrand), London
Tomlinson M.W. (Pannell Kerr Forster), Douglas
Tomlinson S.J.L. (Grant Thornton), Sheffield
Tong Sam M.J. (Arthur Andersen), Bristol
Tonkin R.L. (Robson Taylor), Bath
Tonks M.L. (Hart Shaw), Sheffield
Tonucci P.R. (Ernst & Young), London
Torgov K. (Price Waterhouse), London
Tovey C.A. (Ernst & Young), Birmingham
Towle A.J. (Stoy Hayward), London
Towndrow A.K. (Price Waterhouse), London
Treen D.M. (Morgan Brown & Spofforth), London
Treleaven C.P. (Morley & Scott), London
Tremellen A.R. (Price Waterhouse), London
Tren N.S.R. (Coopers & Lybrand), London
Trenter K.J. (Manning, Hilder & Girling), Ipswich
Trimm M.J. (Ernst & Young), London
Trinder C.M. (KPMG Peat Marwick), Birmingham
Trobridge S.J. (Touche Ross & Co.), Leeds
Trott P.M. (Ernst & Young), London
Truby M.J. (KPMG Peat Marwick), Birmingham
Tse M.Y. (Stoy Hayward), London
Tsiakkas A. (KPMG Peat Marwick), London
Tully A.J.H. (KPMG Peat Marwick), Basingstoke
Tunnicliffe V. (Coopers & Lybrand), St. Albans
Turner C.A. (KPMG Peat Marwick), Birmingham
Turner P.A. (KPMG Peat Marwick), Birmingham
Turner S. (Ernst & Young), Leeds
Turner S.B. (Coopers & Lybrand), Leeds
Tyley G.P. (KPMG Peat Marwick), London

U

Ulyatt R.M. (Coopers & Lybrand), London
Unger G.E.S. (KPMG Peat Marwick), London

V

Vaithianathar G. (Brebner, Allen & Trapp), London
Van Der Weyden S.V.C. (KPMG Peat Marwick), London
Van Emden A.S. (Clark Whitehill), London
Van Wijngaarden J. (KPMG Peat Marwick), Milton Keynes
Vandra S. (Price Waterhouse), London
Varley W. (KPMG Peat Marwick), Derby
Vasey G.T. (Michael A. Jarvis & Co), Rotherham
Vasiliou C. (KPMG Peat Marwick), Leeds
Vengadasalam R.R. (Leach & Co), Richmond
Verrocchia N.A. (BDO Binder Hamlyn), Bristol
Verrier J.S. (Coakes & Co), Scarborough
Vick P.J.W. (Dixon Wilson), London
Vickery M.P. (Coopers & Lybrand), Bristol
Vigus B.J. (Mercer & Hole), St. Albans
Vijayaratnam S. (Newman & Partners), London
Vijendran R. (Arthur Andersen), London
Vimpany P.D.M. (Cooper Lancaster Brewers), London
Vince J.G. (Evans Pearce), Waterlooville
Vincent S. (Coopers & Lybrand), London
Virdi G.K. (Price Waterhouse), London
Voice M.A. (Plummer Parsons), Eastbourne

W

Waggett C.D. (Arthur Andersen), London
Wagner S.D. (Menzies), Woking
Wagstaff D.J. (Bourne & Co), Burton-On-Trent
Wagstaff R.P. (Coopers & Lybrand), Leeds
Wakeman S.L. (Coopers & Lybrand), Birmingham
Walker J.Y.S. (Touche Ross & Co.), London
Walker M.T. (Coopers & Lybrand), Southampton
Walker S.J. (Johnson Tidsall), Derby
Wall G.L. (Pannell Kerr Forster), Worcester
Wallace J. (KPMG Peat Marwick), Leeds
Wallis A.J. (Coopers & Lybrand), Reading
Walmsley A.S. (Coopers & Lybrand), Manchester
Walsh K.N. (Price Waterhouse), London
Walters P.J. (Kidsons Impey), London
Walton P. (Terrells), Northampton
Wan O.H. (KPMG Peat Marwick), London
Ward A.M. (Price Waterhouse), London
Ward J.F. (Arthur Andersen), London
Ward J.S. (Ernst & Young), London
Ward L.A. (Morley & Scott), Slough
Ward M.A. (KPMG Peat Marwick), London
Ward N.T. (Day, Smith & Hunter), Maidstone
Ward P.R. (Bloomer Heaven), Birmingham
Ward R.R.C. (Vandenburghs), London
Warlow D.J. (Menzies), Kingston-Upon-Thames
Warner M.M. (Kidsons Impey), Birmingham
Warren B.S. (Hook & Co), Newport
Wassell M. (Touche Ross & Co.), Birmingham
Watkins G.S.J. (Ernst & Young), Newcastle Upon Tyne
Watling C.D. (KPMG Peat Marwick), London
Watson A.C. (Price Waterhouse), Bristol
Watson D.A. (KPMG Peat Marwick), Guildford
Watson M.A. (Newby Castleman), Leicester
Watson S.J. (Clark Whitehill), London
Watt S.M.A. (Coopers & Lybrand), London
Watton D.J. (MacIntyre Hudson), Bedford
Watts C.J. (Everett & Son), London
Watts D.R. (Farmiloes), Birmingham
Waxley S.A. (Coopers & Lybrand), London
Webb J.C. (Coopers & Lybrand), Reading
Webb V.J. (Coopers & Lybrand), Reading
Webber C.M. (Pannell Kerr Forster), Derby
Webster J. (Coopers & Lybrand), Uxbridge
Webster J.A. (Touche Ross & Co.), Nottingham
Webster M.J. (Coopers & Lybrand), Nottingham
Wedge A.N. (Touche Ross & Co.), Bracknell
Weller K.R. (Price Waterhouse), London
Wells S. (Wheaters), Rotherham
Wenyon H.L. (Burnett Swayne), Southampton
West A.A. (Price Waterhouse), Leeds
West C.E. (Price Waterhouse), London
Westbrook A.J. (Arthur Andersen), Manchester
Westbrook P.T. (KPMG Peat Marwick), Southampton
Weston D.M. (Wilder Coe), London
Whalley D.J. (Grant Thornton), Liverpool
Wharton N.G. (Haines Watts), Bradford
Whateley P.R. (KPMG Peat Marwick), London
Wheeler D. (Baker Tilly), Swindon
Wheeler H.J. (Price Waterhouse), Birmingham
Whitaker L.G. (Pannell Kerr Forster), London
White A.J. (Hallidays), Manchester
White A.J. (Touche Ross & Co.), Bristol
White A.M. (Pannell Kerr Forster), Manchester
White J. (Coopers & Lybrand), Portsmouth
White J.E. (Touche Ross & Co.), Birmingham
White L.I. (Critchleys), Oxford
White M.J. (Kidsons Impey), Birmingham
White S.P. (Billimoria, Brace, Hamblin, Williams), Twickenham
Whitehead S.A. (Stoy Hayward), London
Whiteman J.K. (Coopers & Lybrand), London
Whitewood P.M. (KPMG Peat Marwick), Truro
Whiting J.L. (Ernst & Young), London
Whitworth K.T. (Coopers & Lybrand), Cambridge
Widdows P. (Kidsons Impey), Manchester
Widdowson K.E. (Kingston Smith), Croydon
Widdowson N.A. (Price Waterhouse), Southampton
Wiggins S.E. (Touche Ross & Co.), Birmingham
Wijeratne V.S. (Clark Whitehill), Reading
Wilber R. (KPMG Peat Marwick), Birmingham
Wildman A. (BDO Binder Hamlyn), London
Wilkes M.A. (Hays Allan), London
Wilkins V.G.T. (KPMG Peat Marwick), Southampton
Wilkinson A.J. (Touche Ross & Co.), London
Wilkinson D.H. (Morison Stoneham), London
Wilkinson D.R. (Mitchells), Newcastle Upon Tyne
Wilkinson D. (Dolby, Holt), Liverpool
Wilkinson G.M. (Pannell Kerr Forster), Lincoln
Wilkinson R.J. (Leach Bright), Guildford
Wilkinson T.C. (Touche Ross & Co.), Newcastle Upon Tyne
Willetts P.W. (KPMG Peat Marwick), Birmingham
Williams C.A. (Price Waterhouse), Cardiff
Williams D.J. (KPMG Peat Marwick), Derby
Williams G. (Ernst & Young), Jersey
Williams H.C. (Ernst & Young), Bristol
Williams K.E. (BDO Binder Hamlyn), London
Williams N.A. (Store R.N. & Co), Scunthorpe
Williams R.J.H. (Payne W.H. & Co), London
Williams R.E. (Coopers & Lybrand), Manchester
Williams S.J. (KPMG Peat Marwick), Plymouth
Williamson J.A. (Levicks), Maidstone
Williamson L.H. (Touche Ross & Co.), Leeds
Williamson R.I. (KPMG Peat Marwick), London
Willis S.J. (Francis Clark), Newton Abbot
Wills S. (Moss Woolf & Simons), Westcliff-On-Sea
Wilson B.A. (Stoy Hayward), Manchester
Wilson J.C. (Arthur Andersen), Manchester
Wilson S. (Touche Ross & Co.), Birmingham
Winch M. (Coopers & Lybrand), London
Windmill P.J. (Myers Clark), Watford
Wingfield D.G. (Thornton, Harper & Relph), Preston
Winkett D.J. (Coopers & Lybrand), London
Winkler L.J. (Price Waterhouse), London
Winn M.J. (Coopers & Lybrand), London
Winter E.I. (Nyman Libson Paul), London
Winterbottom M.J. (Touche Ross & Co.), London
Wintle G.D. (Morton Thornton), St. Albans
Wolfe S. (Ernst & Young), London
Wolfson M.B. (Coopers & Lybrand), London
Wong A.C.Y. (Kingston Smith), London
Wong C.W. (Davis & Sanders), London
Wong D.L.Z. (Touche Ross & Co.), London
Wong K.F.W. (KPMG Peat Marwick), Reading
Wong L.K.L. (Coopers & Lybrand), London
Wong M.P. (Coopers & Lybrand), London
Wong S.L.W. (Ernst & Young), Ipswich
Wong Y.C. (Sharpe Fairbrother), London
Wood A.J. (Ernst & Young), Bristol
Wood A.J. (Rayner Essex), St. Albans
Wood A.M. (Latham Crossley & Davis), Chorley
Wood G.E. (Coopers & Lybrand), Nottingham
Wood L.J. (Ernst & Young), London
Wood L.M. (Ernst & Young), Swindon
Wood P.L. (KPMG Peat Marwick), Leeds
Wood R. (Nash Broad Wesson), Stevenage
Woodhouse D. (Ernst & Young), London
Woodhouse E.L. (Ernst & Young), London
Woodhouse S.J. (Touche Ross & Co.), London
Wooff R.M.K. (Stoy Hayward), London
Woolley J.R. (Price Waterhouse), Manchester
Woolley N.G. (Price Waterhouse), London
Woolman R.I. (Clear & Lane), Leicester
Wootten E.A. (KPMG Peat Marwick), London
Worgan M.J. (Ernst & Young), Bristol
Work M.F. (Lobbenberg & Blumenthal), Trowbridge
Worley C. (Friedman Ross), Leeds
Worrall I.M. (BDO Binder Hamlyn), Birmingham
Worswick S.H. (Baker Tilly), Bradford
Wray S.J. (King, Hope & Co), Darlington
Wright C.E. (Price Waterhouse), Birmingham
Wright G.A. (MacIntyre Hudson), Milton Keynes
Wright K.L. (KPMG Peat Marwick), Birmingham
Wright M.A. (Coopers & Lybrand), Leeds
Wright P.D. (Robson Laidler), Newcastle Upon Tyne
Wright S.H. (Price Waterhouse), Hull
Wrigley J.G. (Ernst & Young), Leeds
Wu J.V. (Nash Broad Wesson), London
Wyatt H.A. (Price Waterhouse), Birmingham

X, Y, Z

Xifaras P.G. (Arthur Andersen), London
Yao K.K.Y. (Coopers & Lybrand), Reading
Yeates P.G. (Coopers & Lybrand), London
Yeo A.R. (Coopers & Lybrand), London
Yeo C.R. (Firth Parish), Bradford
Yeo M.V.C. (Ernst & Young), London
Yeung H.P. (KPMG Peat Marwick), London
Yeung Wing Yee H.Y. (Davis & Sanders), London
Yiasoumi T.A. (KPMG Peat Marwick), London
Yip S.Y. (Hays Allan), London
Young D.H. (Ernst & Young), Swindon
Young J.E.M. (Coopers & Lybrand), Northampton
Young J.S. (Mercer & Hole), St. Albans
Young K. (Cape & Dalgleish), Farnham
Young L.G. (Ernst & Young), London
Young M.C. (Ernst & Young), London
Young N.C. (Ernst & Young), Cambridge
Young P.A. (Pannell Kerr Forster), Douglas
Young P.A. (KPMG Peat Marwick), London
Younger E.K. (Arthur Andersen), Reading
Yu A. (KPMG Peat Marwick), London
Yuen E.S. (Touche Ross & Co.), London
Yurkwich A.M. (Price Waterhouse), London
Yusof N.A. (Price Waterhouse), Hull
Zacharioudes A. (KPMG Peat Marwick), Southampton
Zafar R.A. (Stoy Hayward), Chelmsford
Zaidi Abidin M.S.Z. (Coopers & Lybrand), London
Zaveri M.K. (Newman & Partners), London
Zezell C.J. (Ernst & Young), London

LONDON STOCK EXCHANGE

MARKET REPORT

Fears of US rate rise send shares sharply down

By Terry Byland, UK Stock Market Editor

Fears that the US Federal Reserve might tighten interest rates again sooner than expected drove the FT-SE Index down by 74.4 points yesterday in its largest one day fall for sixteen months. The setback, which was sparked by substantial losses in bonds as London and continental Europe followed trends in US Federal securities, featured heavy selling of stock index futures rather than of the underlying equities.

The favoured support level of 3,300 on the Footsie was swept aside just before noon when traders grew increasingly apprehensive ahead of publication of the latest statistics on US durable goods orders, which Mr Alan Greenspan, the chairman of the Federal Reserve, appeared to have identified as a significant inflation counter earlier this week.

The FT-SE Index closed at 3,267.5, just above the day's worst, but with no effective recovery in either gilts or equities after US markets took a negative view of the durable goods figures. Wall Street was nearly 40 points down as London closed for the day.

The wave of interest rate nervousness hit particularly hard in London, where the stock market has virtually factored in another cut in domestic base rates. Traders reminded one another that Mr Nick Knight, the once bullish strategist at Nomura Securities, had warned this week that UK short term interest rates would be above 6 per cent, perhaps approaching 7 per cent by the end of the year.

Account Dealing Dates		
*First Dealings: Feb 14	Feb 28	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	Mar 25
Account Day: Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

But Seaq volume, at 753.9m shares, was unexceptional, not even matching the 822.4m of the previous session. One leading broker said he had found it very difficult to find even one big institutional seller of either gilts or equities.

Nor were strategists agreed on the rationale behind the interest rate fears. "Not a chance," said Mr Robin Aspinall at Panmure Gordon said, when asked if UK short term rates were about to rise.

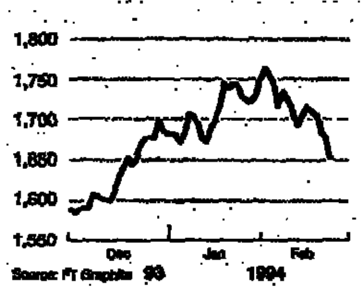
At James Capel, London's leading institutional broker, Mr Paul Walton assured clients that this was "an opportunity to buy the UK equity market considerably cheaper than it was yesterday." He also found "completely unconvincing" suggestions that interest rates are about to rise in Europe.

One view was that yesterday was a delayed rationalisation of the correction in UK equities which has been taking place since the Footsie peaked at the beginning of this month. The focus on the stock index future brought hints that hedge funds may have suffered large losses in that market and become forced sellers of bonds and shares.

With nervousness over interest rates turning attention towards corporate results, the market was not helped by discouraging on sales and profit pressures from the boardroom of ICI, although shares in the blue chip chemical group held steady following the results. Shell, reporting lower results yesterday, fell sharply and added to the general malaise.

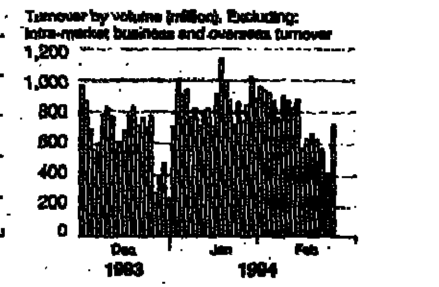
The final picture last night was gloomy, with pressure across the range of equities bringing a fall of 51.9 to 3,923 in the FT-SE Mid 250 Index. UK traders are still resigned to further tightening of policy by the Federal Reserve at some point, and are also watching Wall Street with some misgiving ahead of the opening of London markets today. But bond markets are expected to continue holding the key to near- term developments in equities.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3267.5	-74.4	FT Ordinary Index	2526.1	-50.3
FT-SE Mid 250	3923.0	-51.9	FT-SE-A Non Fins p/e	22.21	22.28
FT-SE-A 350	1657.6	-34.0	FT-SE 100 Fut Mar	3246.0	-92.0
FT-SE-A All-Share	1650.46	-32.47	10 yr Gilt yield	7.11	(6.80)
FT-SE-A All-Share yield	3.45	(3.37)	Long gilt/equity yld ratio:	2.18	(2.15)

Best performing sectors

1	Household Goods	-0.4
2	Extractive Inds	-0.7
3	Other Ser & Bus	-0.7
4	FT-SE SmallCap ex ITs	-0.7
5	FT-SE SmallCap	-0.8

Worst performing sectors

1	Banks	-3.8
2	Gas Distribution	-3.2
3	Water	-2.8
4	Oil, Integrated	-2.7
5	Insurance	-2.4

Squeeze keeps ICI steady

Keenly awaited full-year figures from ICI disappointed the market yesterday, although the shares found some support from dividend buyers.

ICI announced a profit of £290m which was towards the bottom of the analysts' range. This was accompanied by a trading statement which was seen by most analysts as neutral to cautious. The shares fell 12 but then, to general surprise, turned the corner. While the rest of the FT-SE 100 was off by more than 65 points ICI was one of only three bright spots. It appeared that income funds, which buy stocks for the yield, were holding on for the dividend on March 14. This prompted a squeeze as a number of marketmakers had gone short ahead of the figures. There was also expectation of some US demand after the company's presentation in New York on Friday.

Nevertheless, most UK analysts were unimpressed and some of the higher 1994 forecasts were reduced. James Capel and Kleinwort Benson came down to around £400m from £440m and £450m. One of the few securities houses to continue enthusiastic was Smith New Court which remains on £400m for this year and £700m for 1995, but argues "there are the first signs of a real culture change in ICI." It also reinforced its buy recommendation. However, the shares were finally unable to resist the general pressure and closed a net 2 lower at 750p.

Gas surprise

A shock £1.65bn of restructuring and a dividend that disappointed more people than it pleased ensured that British Gas was the most heavily traded stock in London. The shares fell 11 to 328p with more than 20m shares traded.

Some analysts said the 14.5p dividend represented the first time that British Gas had not increased its pay-out to shareholders since the company was privatised. Ms Irene Himona of SGST argued that the gains to be made from overseas expansion will not compensate for the loss of UK earnings as its monopoly is eroded. Others suggest that the dividend was the best that could be hoped for but that the write-downs for 25,000 job cuts were twice as high as expected, and the estimated benefits from those job cuts were lower than forecast.

Shell sold

Fourth-quarter figures from Shell Transport and continental European arm Royal Dutch prompted a sharp sell-off in both classes of shares as investors reacted to a lower than expected dividend.

The UK dividend of 13.8p satisfied the market but the Royal Dutch pay-out of Fl 8.60 was below the lowest forecasts. NatWest Securities oil analyst Fergus McLeod said the £776m net income was below his forecast and he was maintaining a comparatively low £3.3bn forecast for this year. However Brendan Wilders of Hoare Govett turned buyer with a £3.7bn forecast arguing that the company was masking solid progress on the recovery story and was not too geared to oil prices. Shell Transport fell 23 to 699p with heavy turnover of 6.6m shares and Royal Dutch dropped Fl 5.7 to Fl 202.7.

Shares in British Aerospace retreated sharply, falling 47 to 502p, after analysts downgraded earnings per share expectations for the current year, following a second more detailed results meeting with the company. The changes of recommendation followed the revelation of a higher than anticipated tax charge.

Mr Paul Ruddle at NatWest Securities has reduced his current year EPS forecast from 31.5p to 19.3p and made a cut for the following year from 55.4p to 37.6p. Mr Chris Avery at Paribas has reduced his current year forecast by a penny to 34p, and the 1995 figure by 8p to 50p.

A retreat in Thorn EMI, which reported good results on Tuesday, saw the shares slide 40 to 1100p on profit-taking and continuing concern over the company's caution towards analysts wanting to upgrade their profit forecasts. The stock was also the subject of a multimedia warrant from SG Warburg, with a 30 per cent weighting along with Pearson at 26 per cent. Four European media stocks make up the rest of the basket. Pearson shares fell 17 to 685p.

Drinks stocks held up well in the weak market, although dealers attributed this to their recent underperformance rather than a more fundamental reason. Bass jumped 8 on news of a marketing agreement with Grolsch, before closing 5 down at 520p. Grand Metropolitan moved in the reverse direction, being hit badly in the morning as Swiss food giant Nestlé tumbled in Zurich on talk of a profits warning. This later turned out to be merely a number of analysts downgrades and GrandMet recovered to close 4 off at 457p.

Drugs and DIY group Boots was the best performing stores stock, the shares staying firm at 534p with 3.7m traded. Dealers said Kleinwort Benson was recommending the stock, with a target price of 600p. UBS was also positive. Good two-way business in Burton saw the shares edge up a half-penny to 51½p with 12m traded.

There was takeover talk around Bernard Matthews, lifting the shares initially. They ended 3 down at 110p. Hazlewood Foods held up to close just 2 down at 153p ahead of an analysts visit today.

Tumbling Hong Kong stocks hit several related shares in London. HSBC fell 54 to 941p, Cable & Wireless 11 to 459p and Standard Chartered 36 to 1224p.

UK airports operator BAA was the only stock in the FT-SE 100 to hold out against the poor market trend, boosted by an upbeat Department of Transport forecast on air travel and general bargain hunting.

The shares, which have underperformed the market by 3 per cent over the last month, closed 4 ahead at 977p with 2.5m traded. The DoT suggests that traffic at the group's airport will show an average growth rate of 3.1 to 5.5 per cent between 1992 and 2010.

Royal Insurance rose in pre-market trading after posting figures within the mid-range of forecasts and a higher than expected dividend but fell back later with the sector, which is heavily geared to the performance of the stock market. Royals closed 12 off at 278p, Commercial Union 13 off at 608p and Sun Alliance 14 off at 339p.

The Telegraph improved 7 to 587p following news of a 15.5 per cent jump profits to £53.7m before exceptionals.

Buying pressure and takeover speculation again surrounded Carrs Milling, the shares gaining 8 to 217p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

Other statistics, Page 22 and 36

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (55). BUILDING & CNSTRN (1) Tay Homes, BLDG MATLS & MCHTS (3) Galliford, Hewden, Wilshaw, CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (7) Adam & Harvey, Bletchley Motor, Brammer, Evans Halshaw, Faber Prest, Lookers, ... [illegible]

NEW LOWS (22). [illegible]

EQUITY FUTURES AND OPTIONS TRADING

Fears on US interest rates prompted the biggest one day retreat in stock index futures for more than six years as the March contract crashed through the 3,300 level in heavy trading, writes *Joel Kibazo*.

At the official close, the March contract on the FT-SE 100 stood at 3,246 having traded as low as 3,241 earlier in the session, around 100 points below its previous close.

The firm opening at 3,307 initially indicated a steady if poor day and a few buyers at the start of trading pushed March to 3,311. But the weakness in the bond markets sparked a sell off sending March sliding lower for most of the session. Mr Neil Treloar at NatWest Markets said: "We had one eye on the gilts and the other on German bunds. It was hectic selling."

At the official close March was at a 22 point discount to cash, though further selling in after hours trading widened the discount. Volume was a hefty 30,817 contracts.

The traded options also had one of its busiest day's in recent sessions as turnover rose to 74,821 contracts. Some 33,973 lots were dealt in the FT-SE 100 contract and 12,229 was traded in the Euro FT-SE 100 option. British Gas was the busiest option with a total of 11,264 lots.

Volume in the mid FTSE futures traded on the OMLX was poor with a mere 131 lots dealt by the close.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3307.0	3246.0	-92.0	3320.0	3228.0	30817	57932
Jun	3308.5	3259.0	-92.5	3308.5	3259.0	275	15886
Sep		3280.0	-92.0			0	390

Contract traded on APT. Open interest figures are for previous day.

FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	3,970	3,921.5	-48.5	3,975	3,930	180	2,813
Jun		3,950					

All open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3269) £10 per full index point

[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 10,490 Puts 1,801 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

Apr	81	100	69	124	44	160	30	197	21		14		9	5.5

Calls 41 Puts 48 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

Major Stocks yesterday

Vol. 000s | Closing price | Day's change

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Feb 24	Day's chge%	Feb 23	Feb 22	Feb 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3267.5	-2.2	3341.9	3338.7	3350.3	2828.7	3.63	5.58	21.91	5.29	1198.95
FT-SE Mid 250	3923.0	-1.3	3974.9	3968.9	3983.9	3029.5	3.12	4.87	25.21	9.55	1426.35
FT-SE Mid 250 ex Inv Trusts	3937.3	-1.3	3987.3	3983.8	4002.1	3041.5	3.21	5.21	23.79	9.40	1426.84
FT-SE-A 350	1657.6	-2.0	1691.6	1687.9	1696.8	1398.3	3.61	5.41	22.61	3.00	1248.86
FT-SE SmallCap	2046.77	-0.8	2064.18	2068.35	2067.54	1525.29	2.68	3.44	37.19	3.59	1555.22
FT-SE SmallCap ex Inv Trusts	2027.28	-0.7	2042.05	2042.78	2047.69	1527.53	2.81	3.77	34.84	3.73	1543.21
FT-SE-A ALL-SHARE	1650.46	-1.9	1682.93	1679.41	1686.96	1381.52	3.45	5.27	23.26	2.98	1262.50

FT-SE Actuaries All-Share

	Feb 24	Day's chge%	Feb 23	Feb 22	Feb 21	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2532.89	-2.2	2591.17	2572.83	2575.93	2091.60	3.57	4.92	25.15	4.90	990.31
12 Extractive Industries(4)	3794.52	-0.7	3820.35	3768.60	3795.69	3084.70	3.29	4.82	24.58	0.00	1021.13
15 Oil, Integrated(3)	2462.85	-2.7	2531.46	2515.30	2514.82	1979.70	3.66	5.04	24.72	6.35	982.24
16 Oil Exploration & Prod(11)	1845.22	-1.2	1868.71	1869.08	1871.71	1979.50	3.24	3.89	33.01	0.00	1046.32
20 GEN MANUFACTURERS(264)	2134.24	-1.6	2168.15	2162.71	2171.08	1891.10	3.46	3.80	34.15	1.93	1056.93
21 Building & Construction(31)	1507.88	-1.4	1528.86	1532.45	1538.72	816.20	2.35	1.29	80.00†	1.29	1154.23
22 Building Matls & Merchs(30)	2247.88	-1.7	2286.13	2285.20	2293.71	1484.10	3.13	2.56	53.88	1.14	1029.85
23 Chemicals(20)	2391.01	-0.9	2412.87	2393.22	2415.70	2101.20	3.96	4.76	26.47	0.39	1027.36
24 Diversified Industrials(16)	2085.23	-1.5	2116.38	2114.83	2129.69	1843.30	4.26	4.31	30.10	3.21	1031.36
25 Electronic & Elect Equip(34)	2136.65	-1.9	2179.94	2170.54	2176.46	1795.50	3.44	5.69	21.41	1.26	1016.29
26 Engineering(72)	1945.38	-1.9	1982.97	1972.00	1975.38	1416.20	2.80	2.88	47.46	2.72	1087.20
27 Engineering, Vehicles(12)	2406.51	-1.4	2441.85	2442.15	2448.00	1798.70	4.33	3.22	43.55	0.08	1131.16
28 Printing, Paper & Pckg(27)	2980.30	-1.3	3020.07	3013.91	3002.53	2251.60	2.72	4.15	29.15	1.60	1146.04
29 Textiles & Apparel(22)	1921.29	-1.9	1958.38	1963.49	1957.39	1879.80	3.40	5.16	24.22	1.32	1058.69
30 CONSUMER GOODS(93)	2876.11	-1.4	2917.09	2902.14	2909.49	2844.40	3.99	6.83	17.28	5.62	958.35
31 Breweries(17)	2228.61	-0.8	2247.91	2219.17	2198.91	2077.30	4.06	7.70	15.97	9.84	976.60
32 Spirits, Wines & Ciders(10)	3050.20	-1.1	3085.11	3040.28	3038.41	2833.90	3.47	6.01	19.43	19.74	899.40
33 Food Manufacturers(23)	2390.37	-2.1	2440.61	2452.50	2483.30	2412.20	3.93	7.05	16.81	2.80	973.14
34 Household Goods(12)	2872.98	-0.4	2885.21	2878.48	2885.35	2406.20	2.98	6.39	18.13	0.00	1003.33
36 Health Care(20)	1837.98	-1.1	1857.69	1861.65	1862.65	1787.70	2.93	5.18	23.05	0.82	1041.05
37 Pharmaceuticals(10)	3084.77	-1.6	3133.38	3111.68	3126.06	3207.60	4.16	6.77	17.29	0.00	946.48
38 Tobacco(1)	3976.43	-1.1	4022.57	4035.15	4026.76	3947.60	5.06	8.00	14.57	0.00	856.37
40 SERVICES(228)	2080.99	-1.6	2115.56	2116.01	2127.61	1760.50	2.86	5.41	22.49	3.41	989.47
41 Distributors(31)	3104.30	-1.3	3145.17	3143.92	3163.71	2528.80	2.70	4.85	24.91	1.24	1049.16
42 Leisure & Hotels(22)	2280.35	-2.8	2335.16	2333.72	2342.44	1735.30	3.56	5.16	23.31	10.19	1104.00
43 Media(36)	3240.94	-1.4	3287.07	3296.75	3311.13	2195.20	1.88	3.91	30.47	1.70	1102.98
44 Retailers, Food(17)	1553.63	-2.1	1587.14	1577.94	1601.11	2026.70	3.98	10.28	12.08	1.82	902.25
45 Retailers, General(43)	1747.70	-1.7	1778.76	1777.02	1789.28	1438.20	2.72	5.90	23.66	4.06	914.23
48 Support Services(40)	1763.86	-0.8	1780.51	1774.29	1787.78	1531.30	2.23	6.47	17.87	0.83	1061.73
49 Transport(15)	2622.45	-1.2	2655.54	2664.60	2667.15	2039.80	3.19	3.46	33.57	2.48	1005.46
51 Other Services & Business(12)	1320.75	-0.7	1329.81	1333.65	1337.76	1338.80	3.59	3.28	43.09	0.72	1111.46
60 UTILITIES(36)	2617.17	-2.2	2674.35	2665.87	2680.42	2060.80	3.97	6.65	17.92	6.60	941.42
62 Electricity(17)	2395.19	-1.8	2439.46	2425.88	2445.30	1640.50	3.46	10.33	11.89	15.85	967.37
64 Gas Distribution(2)	2180.96	-3.2	2252.31	2252.31	2250.61	1808.00	5.49	‡	‡	0.00	963.61
66 Telecommunications(4)	2209.38	-2.0	2254.40	2253.08	2267.53	1919.00	3.58	5.49	22.28	0.09	918.90
68 Water(13)	1943.65	-2.8	2000.10	1979.29	1988.93	1744.70	4.76	12.44	9.21	3.48	935.18
69 NON-FINANCIALS(691)	1766.06	-1.7	1797.06	1791.46	1798.86	1516.71	3.53	5.61	22.21	2.91	1213.94
70 FINANCIALS(105)	2451.13	-3.0	2525.99	2535.63	2554.96	1881.90	3.34	4.80	26.28	8.12	940.58
71 Banks(10)	3184.66	-3.8	3309.97	3328.86	3333.40	2267.30	2.88	4.88	27.06	12.64	924.97
73 Insurance(18)	1383.46	-2.4	1417.47	1426.92	1468.13	1272.90	4.58	6.12	19.97	0.03	911.53
74 Life Assurance(6)	2584.99	-1.5	2623.95	2631.75	2663.27	2441.20	4.62	4.70	26.75	0.00	949.70
75 Merchant Banks(6)	3288.68	-1.7	3345.78	3360.06	3391.33	2230.10	2.75	6.64	18.45	0.00	963.52
77 Other Financial(25)	2081.21	-1.8	2120.26	2123.40	2160.90	1348.30	3.09	5.20	24.19	5.27	1083.29
79 Property(40)	1754.70	-1.8	1786.46	1774.66	1784.48	1118.10	3.52	3.17	41.91	2.01	978.88
80 INVESTMENT TRUSTS(119)	2968.44	-1.7	3019.43	3000.02	2992.38	2226.40	2.15	1.72	58.01	6.86	982.67
89 FT-SE-A ALL-SHARE(865)	1650.46	-1.9	1682.93	1679.41	1686.96	1381.52	3.45	5.27	23.26	2.98	1262.50

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3324.0	3315.1	3321.0	3301.0	3290.4	3281.2	3278.7	3283.5	3268.3	3324.0	3265.8
FT-SE Mid 250	3966.7	3960.8	3964.0	3950.8	3944.8	3932.1	3925.7	3929.5	3923.7	3966.7	3922.5
FT-SE-A 350	1683.9	1679.8	1682.4	1673.3	1672.1	1663.8	1661.4	1664.4	1658.0	1683.9	1656.9

Time of FT-SE 100 High 8:30am Low 1:36pm

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1468.7	1463.8	1465.4	1463.4	1458.1	1449.6	1446.8	1448.3	1449.2	1448.4	1472.0	-23.6
Pharmaceuticals	3091.7	3084.7	3092.2	3091.6	3087.3	3075.0	3068.4	3065.2	3055.8	3055.0	3103.4	-48.4
Water	1979.8	1971.4	1973.4	1958.8	1957.0	1940.9	1945.1	1948.2	1941.0	1939.9	1997.0	-57.1
Banks	3311.9	3298.2	3295.4	3257.6	3266.1	3240.2	3237.7	3255.4	3229.5	3223.7	3350.7	-127.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24⅝	-⅝	£25¼	£18¾	6,734	4.3	12.9
ANZ A$		203½	-6¼	278¼	130	3,448	3.4	20.7
Abbey National	†□	491	-16	524	345	6,437	3.0	18.9
Allied Irish IE	♣□	284	-10	314	179	1,739	4.8	ф
Anglo Irish IE	M♣□	84	-1	*78	28	158.1	6.7	11.7
Asahi Y		737¾	+18½	844	415	17,121	0.6	–
Banco Bil Viz Pta		£16⅝	+1	£17⅞	£13⅓	3,716	5.1	7.2
Banco Sant Pta		£34⅝	–	£38	£24⅞	3,847	3.9	13.2
Bank Leumi (UK)		450	–	458	325	38.8	5.8	ф
Bk Ireland IE	♣uz□	264	-10	*318	177	1,244	4.7	18.5
Bank Scotland	♣†□	220½	-2½	247	116¾	2,566	2.8	29.8
9¼pc Pf		138½	-3	141½	117¾	138.5	8.9	–
9¼pc Pf		137¼	-3¼	149½	123½	137.2	6.9	–
Barclays	‡N□	637	-27	662	362	8,718	2.9	–
Dai Ichi Kan Y		£12⅞	+⅞	£15⅞	£8⅞	29,836	0.4	69.7
Deutsche DM		£317¾	-11⅞	£348⅞	£250½	15,103	1.9	–
Espirito Santo		£25	+⅞	£28⅞	£16½	287.4	3.2	6.0
First Nat Fin	N□	87xd	-1	*95	45	146.0	2.2	–
6.3pc Cv Pf		80	–	*91	55	6.66	8.7	–
7pc Cv Pf		168	–	171	106	78.8	5.3	–
Fuji Bank Y		1469¾	+39	1651	876	41,981	0.4	–
HSBC HK	†□	988	-52	1133	474	16,825	2.6	23.2
HSBC (75p Shs)	†□	941	-54	1113	490	7,726	2.7	22.5
Lloyds	♣N□	583xd	-16	690	492	7,481	4.7	12.3
Mitsubishi Y		£18⅓	+¼	£19¼	£11⅞	52,929	0.3	–
Mits Tst & Bk Y		852	+13¾	1012½	462½	11,487	0.6	14.2
Mitsui Tst & Bk Y		889¼	+13	852	374	8,378	0.8	23.6
Nat Aust A$		588½	-8	620¼	322	7,711	4.0	14.3
NatWest	♣N□	489	-14½	634	398	8,127	4.8	13.1
Ottomane FFr		£30½	–	£33	£23¾	162.5	4.9	8.9
Ryl Bk Scotland	♣N□	451xd	-7	520	207	3,586	3.0	20.4
Sakura Y		£9⅔	+⅞	£11	£5¾	31,953	0.6	60.2
Sanwa Y		£14¼	+⅞	£16	£7¾	41,318	0.4	–
Standard Chartd	†□	1224	-36	1437	576	2,837	2.1	–
7 3/8pc Pf		95½xd	-2¾	109½	95¼	95.5	9.7	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

INVESTMENT COMPANIES

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

LEISURE & HOTELS

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£17	-¼	£19½	27½	1,015	4.1	14.3
Barlow		[illegible]	—	[illegible]	[illegible]	772.2	8.3	7.2
Gold Fields SA R		[illegible]	[illegible]	[illegible]	27¼	1,272	3.0	22.2
NK Props	s	[illegible]	—	[illegible]	[illegible]	[illegible]	9.0	37.0
SASOL	♥	309	-7	337	215	1,708	5.0	–
SA Brews		£12½	[illegible]	£15	[illegible]	[illegible]	2.3	20.1
Tiger Oats		725	+12	[illegible]	513	1,050	2.3	15.3
Tongaat-Hulett	†	473	-7	522	212	354.6	3.2	13.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- [illegible]

q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings official estimates for 1993. K Yield based on prospectus or other official estimates for 1994 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for [illegible] W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

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AUTHORISED UNIT TRUSTS

Pilgrim Unit Trust Mngmt Ltd (0830)F
30 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group - Contd.

Century Life Plc

Eagle Star Life Assurance Co Ltd - Contd.

Eagle Star Insur./Midland Assur.

Hill Samuel Life Assur. Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance - Contd.				
Tax Exempt				
Tax Exempt Mgd	70.1	73.8	—	—
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7566				
Managed Fund	160.7	169.2	+0.2	—
Pension Mngd Fd	181.7	191.3	+0.3	—
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	782.8	828.4	-2.0	2.14
Cavendish AB Bond Fd	167.8	177.6	-0.1	—
Deposit Fd†	380.6	381.5		5.77
Directors' Portfolio	85.8	90.8	-0.6	—
Equity Pens Fd	197.2	208.7	-1.4	—
European Mngd Fd	69.7	73.8	+0.1	—
Gilt Fd	533.8	564.7	-0.1	7.43
Gilt Pens Fd	146.7	155.3		7.38
Global Equity Fd	248.7	263.2	+0.1	—
Global Eq Pens Fd	247.9	262.3	-0.4	—
High Int Pens Fd†	132.3	140.1		5.48
Japanese Mngd Fd	96.0	101.6	+1.2	—
Managed Income Fd	51.5	54.5	-0.2	5.88
Man Pens Fd	205.4	217.4	-0.9	1.80
North American Mngd Fd	72.6	76.9	+0.1	—
Pacific Mngd Fd	81.6	87.0	+0.3	—
Property Fd*	100.4	106.3	—	6.01
Prop Pens Fd*	131.4	139.1	—	6.80
Thornton Lambert Managed	238.8	253.5	-0.6	—
UK Capital Portfolio	63.8	67.7	-0.5	—
UK Managed Gilt Fd	62.3	66.0	-0.3	—

†Weekly dealings. *Fortnightly dealings

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	473.9	498.8	-4.70	—
Equity	792.9	824.2	-7.40	—
Property	286.6	301.7	+0.08	—
International	477.4	502.6	-2.80	—
Japanese	125.2	131.8	+2.70	—

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Pension Managed Funds				
Skandia Cautious	161.2	169.6	+0.4	—
Skandia Balanced	615.0	647.3	+0.7	—
Skandia Stock Selection	140.9	148.3	-0.4	—
Skandia Deposit	448.7	472.3		—
Abbey Managed	149.2	157.0	+0.6	—
Baring Managed	171.0	179.9	+0.3	—
BZWIM Managed	133.4	140.4	+0.2	—
CU Managed	302.8	318.7	+0.8	—
Fidelity Managed	246.6	259.5	+0.8	—
Fleming Managed Inv Tst	165.2	173.8	-0.4	—
F & C Investment Trust	213.9	225.1	+2.1	—
Framlington Managed	382.9	403.0	+0.4	—
Gartmore Managed	409.7	431.2		—
Henderson Managed	308.8	325.3	+1.1	—
Hill Samuel Managed	313.2	329.6	+0.8	—
Invesco Managed	292.0	307.3	+0.5	—
James Capel Core Mngd	165.1	173.7	+0.6	—
Kleinwort Benson Mngd	155.5	163.6	+0.6	—
Martin Currie Mngd	184.4	194.1	+0.6	—
Morgan Grenfell Mngd	187.7	197.5	-0.1	—
Murray Johnstone Mngd	170.3	179.2	+0.3	—
Perpetual Managed	282.2	297.0	+1.0	—
Schroder Managed	157.2	165.4	+0.8	—
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	716.5	754.3	-10.5	—
Equity	1014.8	1068.3	-18.9	—
Fixed Interest	406.0	428.4	-6.3	—
Index-Linked	209.3	220.4	-2.3	—
International	644.7	678.0	-5.4	—
North American	148.9	156.8	-0.3	—
Far East	184.3	194.1	-0.3	—
European	171.7	180.8	-3.3	—
Property	342.0	360.1	+0.3	—
Cash	262.6	276.5		—
Pension Managed	1009.5	1062.7	-16.8	—
Pension Stock Exchange	228.4	240.5	-3.9	—
Pension Equity	1469.4	1547.0	-31.4	—

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd (z)

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Friends Provident Intl Life

Hansard International Ltd

Isle of Man Assurance Ltd

Lombard International Assurance SA

Professional Investment Consultants

Providence Capital International Ltd

Royal Life Intl Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

Target International Life Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hardwicke Financial Services (Pty) Ltd

Johnson Fry Asset Managers plc

Knight Williams & Company Ltd

Mercury Asset Management plc

Rothschild Financial Management Ltd

Chiswell Stanley & Co Ltd

United Financial Consultants Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Newport International Fund Management

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Bartlett Fund Mngrs Guernsey Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers (Ireland) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Bank Money Market Fund Ltd

Mercury Fund Managers (Ireland) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Rothschild Asset Management (CI) Ltd

Save & Prosper International

Schroder Investment Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Maquet Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bellerosa Management (Guernsey) Ltd

CBIC Fund Managers (Guernsey) Ltd

Dextrust Management (Guernsey) Ltd

Guernsey Capital Management Limited

Henderson Admin. (Guernsey)

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Midland Bank Fund Managers

Premier International Fund Plc

Scottish Value Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund - Protect

U.S. Advisors (Guernsey) Limited

U.S. Treasury Securities Fund Ltd

Wells Fargo Nikko Inv Adv Gsy Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Ireland Fund Managers (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Old Mutual International

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisors Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Gartmore Fund Managers (IOM) Ltd

Isle of Man Asset Mgmt Ltd

R & H Fund Managers Ltd

Unibank Scandinavian Fund Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Mgrs Intl Ltd

Lloyds Bank Fd Mgrs (Jersey) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd

Coutts & Co (Jersey) Ltd

Gartmore Fund Managers Intl Ltd

John Govett Management (CI) Ltd

Leopold Joseph Fund Mgrs (Jsy) Ltd

Lloyds Bank Fund Managers (Jersey)

RBC Fund Managers (Jersey) Ltd

Flemings Group

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Foreign & Colonial Mngmt (Jersey) Ltd

Commercial Union Luxembourg SA - Contd.

Nomura Global Fund (m)

Credit Suisse - Contd.

SCI/TECH SA

Scudder, Stevens & Clark

Credit Suisse

Cregem International Bank

Crystal Corporation N.V.

International Fund Administration Ltd

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

France trims rates

The Bank of France yesterday trimmed its intervention rate by 10 basis points to 6.10 per cent, confirming the likely downward trend of official European interest rates, *writes Philip Gawith.*

The rate-cut, which surprised observers, was in stark contrast to the interest rate pessimism in European bond and futures markets. By late afternoon the December short sterling and D-Mark interest rate futures on LIFFE had fallen by 20 and 22 points respectively, indicating the market view that interest rates are likely to rise over the remainder of the year.

Currency markets initially remained immune from this volatility, but the dollar weakened sharply in the afternoon on speculation of heavy hedge fund selling.

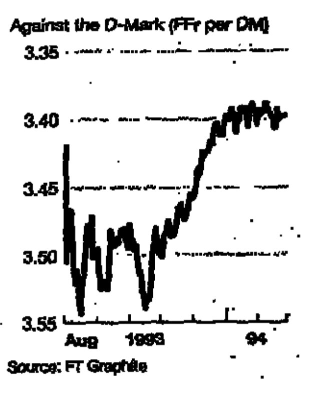
■ The French franc remained firm after yesterday's cut in rates. It closed in London at FFr3.397 to the D-Mark from FFr3.398 on Wednesday. The cut in the intervention rate - the key instrument used by the BOF to influence monetary policy - was the first move in monetary policy by the BOF's monetary council since its formation last month. The timing surprised most observers who had expected the BOF to wait for the Bundesbank to cut its repo rate before acting.

As with last week's cut in the German discount rate, the BOF appeared more concerned to send a signal to the market about the future direction of rates, than to effect any significant easing in policy. Ms Phyllis Reed, European bond strategist at BZW, commented: "The BOF was probably quite market sensitive. It wanted to reassure the market that its lack of action after last week's Bundesbank easing did not mean they wouldn't move at all."

The BOF also appears to have struck a balance between the conflicting imperatives of wanting to show its independence and tracking the D-Mark - a key component of its monetary policy. The French intervention rate remains 10 basis points above the German repo rate of 6 per cent and some commentators stressed that this shows the BOF's intention not to put pressure on the franc by pushing French rates below German rates.

French franc

Against the D-Mark (FFr per DM)



Source: FT Graphite

■ Pound in New York

Feb 24	— Latest —	— Prev. close —
£ spot	1.4850	1.4795
1 mth	1.4829	1.4786
3 mth	1.4795	1.4733
1 yr	1.4709	1.4693

■ The dollar finished slightly stronger against the D-Mark, closing in London at DM1.7306 from DM1.7279 on Wednesday. It later fell sharply in New York against both the yen and the D-Mark and was trading yesterday evening at Y105 and DM1.7150. It closed a third of a cent weaker at $1.4796 against sterling and was slightly down compared to the yen, finishing at Y105.350 from Y105.525 on Wednesday.

Earlier in the day there had been a flurry of activity after the release of US durable goods orders. The headline figure of a 3.7 per cent increase in January durable goods orders, compared to a market forecast of 0.8 per cent, initially fuelled talk of another possible US monetary tightening.

Later, however, this figure was largely discounted when it was discovered that the figures were heavily influenced by airline orders. Stripped of the transport factor, the rise was only 0.3 per cent.

Mr Chris Turner, currency strategist at BZW, noted that it was the sixth consecutive rise in a volatile series and hence could be considered a "fairly strong number". The fact that unfilled orders had also risen was another bullish piece of data. Mr Brian Martin, senior economist at Citibank, said he didn't believe the figures gave any cause for concern about the strength of the US recovery and he forecast 2.5-3 per cent growth for the US economy this year.

Traders said the weaker dollar was apparently the product of heavy dollar sales by the hedge funds which took the opportunity to sell heavily into dollar strength when the US currency rose initially after the release of the durable goods figures.

With hedge funds apparently having suffered heavy losses recently on the yen and in bond markets, analysts speculated that they were taking profits wherever they could be found. Others said weakness in the US stock and bond markets had fuelled sale of dollars.

In theory the fears of higher US interest rates, which have unnerved leading equity and bond markets, should be dollar positive.

■ The D-Mark finished weaker in Europe yesterday on fears of industrial unrest in the engineering sector, concerns about another possible easing of policy and worries about political instability in Russia. Sentiment was initially undermined by reports that the Russian parliament had voted to offer amnesty to some of President Yeltsin's opponents. Rumours about a possible coup in Russia also hit the D-Mark.

■ The Bank of England provided £330m of late assistance to UK money markets bringing total help for day to £2.345bn, compared to a revised liquidity shortage of £2.4bn.

The large shortage is evidence that the Bank of England's recently introduced twice-monthly repo facility - introduced to supplement its daily money market operations - has yet to bed down properly. The aim of the new facility is to reduce the daily shortage so that the Bank can more easily influence money market rates.

■ OTHER CURRENCIES

Feb 24	£	$
Hungary	153.655 - 153.865	103.870 - 103.970
Iran	2580.00 - 2586.00	1748.00 - 1750.00
Kuwait	0.4405 - 0.4415	0.2978 - 0.2983
Poland	32522.4 - 32535.6	21984.5 - 21985.5
Russia	2320.25 - 2321.25	1566.50 - 1567.50
U.A.E.	5.4461 - 5.4593	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0105	+0.0674	031 - 178	18.0428	17.9440	18.0067	0.3	18.0011	0.2	-	-	113.1
Belgium	(BFr)	52.7034	+0.1973	631 - 436	52.8231	52.5842	52.7584	-1.3	52.8634	-1.2	53.1884	-0.9	114.0
Denmark	(DKr)	10.0058	+0.0498	001 - 115	10.0226	9.9547	10.0159	-1.2	10.0366	-1.2	10.0722	-0.7	114.1
Finland	(FM)	8.3660	+0.0680	580 - 750	8.3000	8.1990	-	-	-	-	-	-	81.7
France	(FFr)	8.6868	+0.0297	353 - 018	8.7165	8.6737	8.7079	-1.3	8.7329	-1.1	8.7425	-0.5	107.7
Germany	(DM)	2.5605	+0.0092	593 - 617	2.5708	2.5520	2.5629	-1.1	2.5668	-0.8	2.5696	-0.2	122.0
Greece	(Dr)	370.581	+1.797	121 - 011	371.421	368.631	-	-	-	-	-	-	-
Ireland	(I£)	1.0415	-	400 - 429	1.0460	1.0400	1.0421	-0.7	1.0438	-0.9	1.05	-0.8	103.0
Italy	(L)	2499.86	+17.77	924 - 148	2499.22	2486.83	2506.16	-3.0	2518.46	-3.0	2567.31	-2.7	78.1
Luxembourg	(LFr)	52.7034	+0.1973	631 - 436	52.8231	52.5842	52.7584	-1.3	52.8634	-1.2	53.1884	-0.9	114.0
Netherlands	(Fl)	2.8760	+0.0135	746 - 772	2.8821	2.8658	2.877	-0.5	2.8773	-0.2	2.8712	0.2	117.5
Norway	(NKr)	11.0630	+0.0531	785 - 874	11.1145	11.0299	11.0773	0.6	11.0699	-0.2	11.051	0.0	84.3
Portugal	(Es)	258.531	+0.313	730 - 151	261.125	258.860	259.906	-4.5	261.851	-4.5	-	-	-
Spain	(Pta)	207.610	+0.177	516 - 704	208.258	207.516	208.26	-3.8	209.48	-3.6	213.85	-2.9	85.2
Sweden	(SKr)	11.8687	+0.1419	507 - 666	11.9137	11.7205	11.8782	-2.0	11.9152	-1.9	12.0382	-1.5	78.3
Switzerland	(SFr)	2.1422	-0.003	411 - 433	2.1601	2.1386	2.1406	0.9	2.1364	1.1	2.1192	1.2	118.4
UK	(£)	[illegible]											80.3
Ecu	-	1.3215	+0.0047	209 - 220	1.3232	1.3181	1.3228	-1.2	1.3253	-1.2	1.3306	-0.7	-
SDR†	-	0.942023	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4790	+0.0025	786 - 793	1.4809	1.4740	-	-	-	-	-	-	-
Brazil	(Cr)	911.989	+18.063	796 - 181	912.181	883.000	-	-	-	-	-	-	-
Canada	(C$)	1.9908	+0.0133	900 - 915	1.9927	1.9838	1.9895	1.4	1.9848	1.2	1.9775	0.7	89.8
Mexico	(New Peso)	4.8013	+0.0211	633 - 393	4.8393	4.6343	-	-	-	-	-	-	-
USA	($)	1.4796	+0.003	793 - 799	1.4810	1.4740	1.4776	1.6	1.4744	1.4	1.4663	0.9	66.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0385	-0.0025	354 - 376	2.0438	2.0232	2.035	0.9	2.0327	0.8	2.0307	0.3	-
Hong Kong	(HK$)	11.4403	+0.0099	372 - 433	11.4442	11.3832	11.4273	1.4	11.4218	0.6	11.3728	0.6	-
India	(Rs)	46.4189	+0.1012	019 - 319	46.4550	46.2470	-	-	-	-	-	-	-
Japan	(Y)	155.876	+0.003	770 - 982	157.040	155.610	155.501	2.9	154.761	2.9	151.381	2.9	188.7
Malaysia	(M$)	4.0475	+0.0092	425 - 520	4.0584	4.0262	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5548	+0.0024	527 - 568	2.5587	2.5414	2.5577	-1.4	2.562	-1.1	2.5706	-0.6	-
Philippines	(Peso)	40.9850	+0.0845	647 - 152	41.2152	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5488	+0.0112	474 - 501	5.5535	5.5279	-	-	-	-	-	-	-
Singapore	(S$)	2.3470	+0.0052	457 - 482	2.3482	2.3392	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1620	-0.054	598 - 641	5.2627	5.1377	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9800	+0.0328	749 - 851	7.0143	6.7729	-	-	-	-	-	-	-
South Korea	(Won)	1195.59	+2.17	527 - 591	1196.65	1191.14	-	-	-	-	-	-	-
Taiwan	(T$)	39.1873	-0.0151	719 - 026	39.2800	39.0500	-	-	-	-	-	-	-
Thailand	(Bt)	37.5079	+0.0773	655 - 303	37.5290	37.3610	-	-	-	-	-	-	-

†SDR rate for Feb.23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.1725	+0.0205	700 - 750	12.2245	12.1325	12.1312	-1.8	12.2005	-1.6	12.266	-0.8	102.5
Belgium	(BFr)	35.6200	+0.08	000 - 400	35.7880	35.5600	35.705	-2.9	35.86	-2.7	36.3	-1.9	105.6
Denmark	(DKr)	6.7625	+0.0187	600 - 650	6.7886	6.7386	6.778	-2.8	6.8065	-2.6	6.8737	-1.6	103.0
Finland	(FM)	5.5866	+0.0469	816 - 916	5.6214	5.5200	5.5911	-1.0	5.6006	-1.0	5.6286	-0.7	76.9
France	(FFr)	5.8790	+0.006	780 - 800	5.9005	5.8660	5.8922	-2.7	5.9165	-2.6	5.9997	-1.5	104.2
Germany	(DM)	1.7306	+0.0027	301 - 310	1.7405	1.7265	1.7346	-2.7	1.7404	-2.3	1.7542	-1.2	103.7
Greece	(Dr)	250.450	+0.7	200 - 700	251.600	249.360	254.325	-18.6	261.2	-17.2	290.45	-16.0	71.0
Ireland	(I£)	1.4207	+0.003	190 - 224	1.4224	1.4106	1.4177	2.5	1.4119	2.5	1.3958	1.8	-
Italy	(L)	1689.55	+8.55	880 - 030	1692.45	1681.50	1695.55	-4.3	1708.05	-4.4	1752.05	-3.7	76.9
Luxembourg	(LFr)	35.6200	+0.08	000 - 400	35.7880	35.5600	35.705	-2.9	35.86	-2.7	36.3	-1.9	105.6
Netherlands	(Fl)	1.9437	+0.005	432 - 442	1.9520	1.9386	1.9466	-1.9	1.9519	-1.7	1.9598	-0.8	103.1
Norway	(NKr)	7.4805	+0.0205	800 - 920	7.5276	7.4610	7.499	-1.4	7.5167	-1.4	7.5485	-0.7	94.3
Portugal	(Es)	175.600	-0.15	500 - 700	176.350	175.200	176.885	-8.8	177.825	-6.0	184.3	-5.0	93.7
Spain	(Pta)	140.315	-0.17	280 - 350	141.500	140.280	140.91	-5.1	142.055	-5.0	145.815	-3.9	80.4
Sweden	(SKr)	8.0148	+0.0785	110 - 185	8.0689	7.9253	8.0388	-3.6	8.0823	-3.4	8.2073	-2.4	82.4
Switzerland	(SFr)	1.4479	-0.0049	474 - 485	1.4620	1.4474	1.4489	-0.8	1.4498	-0.5	1.4444	0.2	104.4
UK	(£)	1.4796	+0.003	793 - 799	1.4810	1.4740	1.4776	1.6	1.4744	1.4	1.4663	0.9	89.5
Ecu	-	1.1197	-0.0017	194 - 199	1.1214	1.1160	1.1171	2.8	1.1124	2.6	1.1014	1.6	-
SDR†	-	1.39118	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0004	995 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(Cr)	616.375	+10.96	370 - 380	618.500	616.500	-	-	-	-	-	-	-
Canada	(C$)	1.3455	+0.0062	452 - 457	1.3477	1.3411	1.3456	-0.3	1.3464	-0.3	1.3495	-0.3	86.4
Mexico	(New Peso)	3.2450	+0.1295	200 - 700	3.2700	3.1430	3.2466	-0.6	3.2494	-0.5	3.26	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3764	-0.0046	759 - 768	1.3824	1.3699	1.3775	-0.9	1.3803	-1.1	1.3879	-0.8	89.7
Hong Kong	(HK$)	7.7320	+0.0043	315 - 325	7.7360	7.7265	7.7327	-0.1	7.7367	-0.2	7.7555	-0.3	-
India	(Rs)	31.3713	+0.0038	675 - 750	31.3750	31.3675	31.4363	-2.5	31.5713	-2.6	-	-	-
Japan	(Y)	105.350	-0.175	300 - 400	106.180	105.250	105.245	1.2	104.97	1.4	103.245	2.0	146.1
Malaysia	(M$)	2.7355	-0.001	330 - 380	2.7440	2.7330	2.7295	2.6	2.713	3.3	2.7855	-1.8	-
New Zealand	(NZ$)	1.7267	-0.0019	256 - 277	1.7301	1.7212	1.7283	-1.1	1.7328	-1.4	1.747	-1.2	-
Philippines	(Peso)	27.7000	-	500 - 500	27.8500	27.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0002	500 - 503	3.7503	3.7500	3.7526	-0.8	3.757	-0.7	3.7757	-0.7	-
Singapore	(S$)	1.5862	+0.0002	857 - 867	1.5830	1.5835	1.5862	0.0	1.5862	0.0	1.6097	-1.5	-
S Africa (Com.)	(R)	3.4888	-0.0437	880 - 895	3.5565	3.4825	3.5031	-4.9	3.5321	-5.0	3.6293	-4.0	-
S Africa (Fin.)	(R)	4.7175	+0.0125	150 - 200	4.7400	4.5800	4.7485	-7.9	4.8125	-8.1	-	-	-
South Korea	(Won)	808.050	-0.2	000 - 100	808.300	808.100	811.05	-4.5	814.55	-3.2	833.05	-3.1	-
Taiwan	(T$)	26.4850	-0.065	800 - 900	26.5500	26.4800	26.5875	-4.6	26.735	-3.8	-	-	-
Thailand	(Bt)	25.3500	-	400 - 600	25.3600	25.3500	25.42	-3.3	25.56	-3.3	25.7	-1.4	-

†SDR rate for Feb.23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.23. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.99	16.51	4.860	1.977	4744	5.457	21.02	491.3	393.9	22.50	4.065	1.898	3.778	2.806	295.8	2.509
Denmark	(DKr)	52.65	10	8.690	2.558	1.041	2498	2.873	11.07	258.6	207.4	11.85	2.140	0.999	1.988	1.478	155.7	1.321
France	(FFr)	60.58	11.51	10	2.944	1.198	2874	3.306	12.74	297.6	238.6	13.63	2.462	1.150	2.289	1.700	179.2	1.520
Germany	(DM)	20.58	3.909	3.397	1	0.407	976.2	1.123	4.326	101.1	81.06	4.631	0.836	0.390	0.777	0.578	60.87	0.516
Ireland	(I£)	50.58	9.607	8.348	2.458	1	2399	2.760	10.63	248.5	199.2	11.38	2.056	0.960	1.911	1.419	149.6	1.269
Italy	(L)	2.108	0.400	0.348	0.102	0.042	100.	0.115	0.443	10.36	8.304	0.474	0.086	0.040	0.080	0.059	6.236	0.053
Netherlands	(Fl)	18.32	3.481	3.025	0.890	0.362	869.3	1	3.853	90.02	72.18	4.124	0.745	0.348	0.692	0.514	54.21	0.460
Norway	(NKr)	47.56	9.034	7.851	2.311	0.940	2256	2.596	10	233.7	187.4	10.70	1.933	0.903	1.797	1.335	140.7	1.193
Portugal	(Es)	20.36	3.866	3.360	0.989	0.402	965.6	1.111	4.280	100.	80.19	4.581	0.827	0.386	0.769	0.571	60.22	0.511
Spain	(Pta)	25.39	4.822	4.190	1.234	0.502	1204	1.385	5.337	124.7	100.	5.713	1.032	0.482	0.959	0.712	75.10	0.637
Sweden	(SKr)	44.44	8.440	7.335	2.159	0.879	2108	2.425	9.342	218.3	175.0	10	1.806	0.843	1.679	1.247	131.5	1.115
Switzerland	(SFr)	24.60	4.673	4.061	1.196	0.486	1167	1.343	5.173	120.9	96.92	5.537	1	0.467	0.930	0.690	72.78	0.617
UK	(£)	52.70	10.01	8.699	2.561	1.042	2500	2.876	11.08	258.9	207.6	11.86	2.142	1	1.991	1.479	155.9	1.322
Canada	(C$)	26.47	5.028	4.369	1.286	0.523	1256	1.445	5.565	130.0	104.3	5.957	1.076	0.502	1	0.743	78.30	0.664
US	($)	35.63	6.768	5.882	1.732	0.705	1690	1.945	7.492	175.1	140.4	8.019	1.448	0.676	1.346	1	105.4	0.894
Japan	(Y)	338.0	64.21	55.80	16.43	6.684	16036	18.45	71.07	1661	1332	76.07	13.74	6.414	12.77	9.487	1000.	8.480
Ecu		39.86	7.572	6.580	1.937	0.788	1891	2.175	8.381	195.8	157.0	8.971	1.620	0.758	1.506	1.119	117.9	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.788241	-0.002198	-2.52	4.71	17
Netherlands	2.19672	2.17808	+0.0022	-0.85	2.94	-
Belgium	40.2123	39.9364	+0.023	-0.69	2.78	5
Germany	1.94964	1.94009	+0.00151	-0.49	2.57	-
France	6.53883	6.58881	+0.00045	0.76	1.30	-6
Denmark	7.43679	7.57813	+0.01179	1.90	0.17	-13
Portugal	192.854	196.535	-0.498	1.91	0.16	-13
Spain	154.250	157.443	-0.393	2.07	0.00	-14
NON ERM MEMBERS						
Greece	264.513	280.689	+0.412	6.12	-3.81	-
Italy	1793.19	1886.61	-0.78	5.21	-2.98	-
UK	0.786749	0.757631	-0.001886	-3.70	5.99	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5775	0.5765	-0.0011	0.5785	0.5740	26,982	125,096
Jun	0.5747	0.5735	-0.0012	0.5747	0.5716	1,888	11,778
Sep		0.5705	-	-	0.5705	12	393

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9476	0.9485	+0.0007	0.9504	0.9423	23,167	90,959
Jun	0.9505	0.9521	+0.0005	0.9524	0.9470	1,395	8,397
Sep	-	0.9562	+0.0003	-	-	5	812

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.400	7.47	7.47	7.55	0.03	0.14	0.44
1.425	5.02	5.28	5.68	0.05	0.43	0.90
1.450	2.75	3.39	3.86	0.23	1.03	1.66
1.475	1.07	1.97	2.53	1.00	2.05	2.70
1.500	0.24	1.01	1.54	2.61	3.53	4.20
1.525	0.03	0.45	0.87	4.84	5.45	6.01

Previous day's vol., Calls 10,606 Puts 8,780 . Prev. day's open int., Calls 542,317 Puts 507,538

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6874	0.6894	+0.0021	0.6894	0.6843	11,285	39,536
Jun	0.6948	0.6885	+0.0017	0.6885	0.6845	530	2,726
Sep	-	0.6850	-	0.6880	0.6865	2	49

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4764	1.4766	-0.0002	1.4786	1.4710	9,199	40,579
Jun	1.4698	1.4712	-0.0010	1.4720	1.4660	1,519	3,013
Sep	-	1.4640	-	-	1.4640	4	434
Dec	-	1.4600	-	-	1.4600	1	12

WORLD INTEREST RATES

MONEY RATES

February 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6½	6¼	6⅛	6¼	7.40	5.25	-
week ago	-	6½	6¼	6¼	6¼	7.40	5.25	-
France	6⅝	6⅜	6¼	6¼	5¾	6.10	-	7.75
week ago	6⅝	6½	6⅜	6⅛	5⅞	8.20	-	7.75
Germany	6.08	6.05	5.65	5.65	5.37	6.75	5.25	6.00
week ago	6.07	6.05	5.85	5.65	5.37	6.75	5.25	6.00
Ireland	5⅞	5⅞	5⅝	5⅞	5⅞	-	-	6.75
week ago	5⅞	5⅞	5⅞	5⅞	5⅞	-	-	6.75
Italy	8½	8¼	8⅛	8⅛	8⅛	-	8.00	8.92
week ago	9⅛	8⅛	8⅝	8⅜	8⅛	-	8.00	8.92
Netherlands	5.61	5.50	5.32	5.19	5.03	-	5.25	-
week ago	5.59	5.50	5.31	5.16	5.00	-	5.25	-
Switzerland	4⅛	4⅛	4⅛	4⅛	4	6.625	4.00	-
week ago	4⅛	4⅛	4⅛	4⅛	3⅞	6.625	4.00	-
US	3⅛	3⅛	3½	3¾	4⅛	-	3.00	-
week ago	3⅛	3⅛	3½	3¾	4⅛	-	3.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3½	3¾	4	4⅜	-	-	-
week ago	-	3½	3⅝	3¾	4⅛	-	-	-
US Dollar CDs	-	3.32	3.50	3.75	4.13	-	-	-
week ago	-	3.32	3.39	3.59	3.91	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅝	3⅝	-	-	-
week ago	-	3⅛	3¼	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅝ - 6½	6⅝ - 6½	6⅞ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6⅛
Danish Krone	5¾ - 5½	6¼ - 6	6½ - 6¼	6¼ - 6	6¼ - 6	6 - 5¾
D-Mark	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6 - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Dutch Guilder	5⅞ - 5⅞	5⅞ - 5⅞	5½ - 5⅜	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
French Franc	6⅞ - 6⅜	6½ - 6¼	6⅜ - 6¼	6¼ - 6⅛	6⅛ - 6	5⅞ - 5¾
Portuguese Esc.	10⅛ - 9⅞	10⅛ - 9⅞	10 - 9¾	9⅞ - 9⅞	9⅞ - 9⅞	9¼ - 9¼
Spanish Peseta	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8⅝ - 8⅜	8½ - 8⅜	8⅛ - 7⅞
Sterling	5¼ - 5	5¼ - 5	5⅞ - 5⅞	5¼ - 5⅛	5¼ - 5⅛	5⅞ - 5⅛
Swiss Franc	4½ - 4⅜	4½ - 4⅜	4⅜ - 4¼	4¼ - 4⅛	4⅛ - 3⅞	3⅞ - 3⅞
Can. Dollar	3¾ - 3½	3¾ - 3½	3⅞ - 3⅞	3⅞ - 3¾	4⅛ - 4	4⅞ - 4⅞
US Dollar	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3⅝	4 - 3⅞	4⅜ - 4¼
Italian Lira	9 - 7½	8⅜ - 7⅞	8⅛ - 7¾	8⅛ - 7¾	8⅛ - 7¾	8¼ - 7⅞
Yen	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2⅛ - 2⅛
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.95	93.89	-0.06	93.95	93.86	32,361	69,601
Jun	94.43	94.36	-0.06	94.43	94.30	36,599	76,398
Sep	94.71	94.58	-0.14	94.71	94.49	18,248	48,578
Dec	94.90	94.72	-0.20	94.91	94.63	18,499	28,467

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.23	-0.07	96.24	96.21	961	5493
Jun	95.85	95.85	-0.07	95.85	95.82	437	4465
Sep	95.53	95.52	-0.09	95.53	95.50	344	2208
Dec	95.14	95.13	-0.10	95.14	95.12	176	1389

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.21	94.18	-0.03	94.22	94.16	50642	187410
Jun	94.66	94.61	-0.07	94.69	94.58	83626	216990
Sep	94.93	94.81	-0.14	94.96	94.78	52692	166939
Dec	95.04	94.88	-0.20	95.07	94.82	59808	131221

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.79	91.73	-0.09	91.81	91.70	6737	35795
Jun	92.18	92.04	-0.16	92.18	92.03	7903	51408
Sep	92.42	92.27	-0.17	92.42	92.27	1872	22547
Dec	92.55	92.38	-0.21	92.56	92.38	4151	20041

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.97	95.86	-0.12	95.97	95.83	8051	29463
Jun	96.16	96.05	-0.12	96.16	96.00	9159	25867
Sep	96.27	96.13	-0.14	96.27	96.07	1600	6654
Dec	96.22	96.13	-0.14	96.22	96.08	465	3452

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.75	93.70	-0.07	93.76	93.66	1505	12111
Jun	94.20	94.13	-0.10	94.21	94.09	1419	10760
Sep	94.48	94.33	-0.18	94.48	94.31	1065	9260
Dec	94.67	94.48	-0.22	94.67	94.48	769	6484

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.25	96.23	-0.03	96.25	96.17	70,577	330,508
Jun	95.86	95.84	-0.03	95.87	95.78	150,818	425,596
Sep	95.53	95.52	-0.02	95.53	95.46	94,220	344,970
Dec	95.14	95.13	-0.02	95.14	95.06	58,908	259,963

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.57	96.57	-0.02	96.58	96.52	2,655	11,774
Jun	96.22	96.22	-0.03	96.25	96.21	3,468	24,619
Sep	-	95.92	-	-	95.91	1,128	5,043

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9400	0.19	0.62	0.83	0.01	0.01	0.02
9425	0.04	0.39	0.61	0.11	0.03	0.05
9450	0	0.20	0.41	0.32	0.09	0.10

Est. vol. total, Calls 7920 Puts 4418. Previous day's open int., Calls 266825 Puts 176374

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9575	0.14	0.33	0.45	0.03	0.03	0.07
9600	0.02	0.14	0.27	0.16	0.09	0.14
9625	0.01	0.05	0.14	0.40	0.25	0.26

Est. vol. total, Calls 400 Puts 0. Previous day's open int., Calls 1814 Puts 3643

UK INTEREST RATES

LONDON MONEY RATES

Feb 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	9 - 5	5⅜ - 4⅞	5⅜ - 5⅛	5¼ - 5⅛	5⅜ - 5⅜	5⅜ - 5¼
Sterling CDs	-	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	5 - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	-
Local authority deps.	5¼ - 5	5⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Discount market deps.	5¼ - 6	6 - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8728pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Scheme II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Scheme IV & V 6.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.80	94.80	-0.02	94.82	94.78	8692	72165
Jun	94.89	94.81	-0.09	94.89	94.79	41760	111810
Sep	94.78	94.66	-0.16	94.79	94.63	20226	58412
Dec	94.67	94.52	-0.18	94.67	94.48	29783	99236

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9475	0.08	0.16	0.18	0.03	0.10	0.27
9500	0.01	0.06	0.09	0.21	0.25	0.43
9525	0	0.01	0.04	0.45	0.45	0.63

Est. vol. total, Calls 14182 Puts 17048. Previous day's open int., Calls 173605 Puts 156578

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	● Members of British Merchant Banking & Securities Houses Association	
●Brown Shipley	5.25	Julian Hodge Bank	5.25	* In administration	
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.25		
Clydesdale Bank	5.25	Midland Bank	5.25		
The Co-operative Bank	5.25	* Mount Banking	6		
Coutts & Co	5.25	NatWestminster	5.25		
Credit Lyonnais	5.25	●Rea Brothers	5.25		
Cyprus Popular Bank	5.5				

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, February 24, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	13.5m	915	+18	Fujitsu	5.7m	1,030	+10
Toshiba	8.0m	747	+9	Furukawa Elec	5.7m	711	+7
Sanyo Elec	7.6m	472	+21	Casio Computer	4.7m	1,270	+40
Nippon Steel	6.9m	345	+1	Navix Line	4.6m	374	+11
Mitsubishi Hvy	6.5m	695	+16	Kawasaki Steel	4.5m	352	+7

INDICES

US INDICES

Dow Jones	Feb 23	Feb 22	Feb 18	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3891.86	3911.66	3887.46	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.23	104.39	104.59	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1798.73	1804.88	1785.42	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	210.59	211.77	208.54	256.46 (31/8/93)	208.54 (18/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3931.36 (3929.69) Low 3872.93 (3873.39) (Theoretical)
Day's High 3914.48 (3911.86) Low 3882.96 (3884.93) (Actual)

Standard and Poors	Feb 23	Feb 22	Feb 18	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	470.69	471.46	467.69	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	552.05	552.44	548.47	560.69 (2/2/94)	496.48 (26/4/93)	560.69 (2/2/94)	3.62 (21/6/32)
Financial	44.36	44.44	43.94	48.48 (28/9/93)	39.89 (8/1/93)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.13	261.48	259.87	267.71 (2/2/94)	238.21 (8/1/93)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	471.74	472.38	470.95	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	789.11	791.15	788.65	803.47 (31/1/94)	645.87 (26/4/93)	803.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 18	Feb 11	Feb 4	Year ago
Dow Jones Ind. Div. Yield	2.59	2.58	2.62	3.07
	Feb 23	Feb 16	Feb 9	Year ago
S & P Ind. Div. yield	2.36	2.34	2.35	2.55
S & P Ind. P/E ratio	26.09	26.18	26.07	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	471.15	468.60	-2.45	471.15	467.80	59,362	177,647
Jun	470.30	470.50	-1.70	470.70	470.30	2,658	13,920
	-	472.20	-	-	472.20	353	1,563

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

4 pm close February 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- F -

[illegible]

- G -

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- H -

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- I -

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- J -

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- K -

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- L -

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- M -

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- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close February 24

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close February 24

AMEX COMPOSITE PRICES

4 pm close February 24

AMERICA

US stocks falter after failure of merger talks

Wall Street

US stocks tumbled yesterday morning as the collapse of Bell Atlantic's proposed merger with Tele-Communications raised big questions about the development of new information and entertainment technologies, *writes Frank McGurty in New York*.

By 1pm, the Dow Jones Industrial Average was down 41.92, or about 1 per cent, to 3,849.16, after reaching its lowest level since closing at 3,842.43 on January 13.

The sell-off was broad-based, with declines outnumbering advances by 1,742 to 377. The breadth of the downturn was reflected in the Standard & Poor's 500, which dropped 4.63 lower at 466.06.

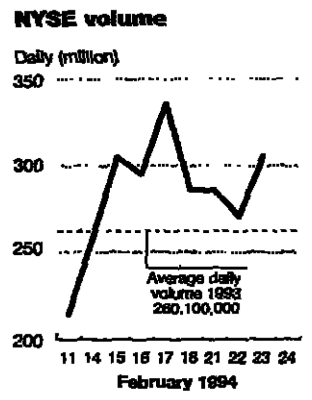
Secondary indices showed an even sharper drop, with the American SE composite off 5.39 to 466.35 and the technology-rich Nasdaq composite down 9.93 to 779.18.

Volume on the NYSE was heavy, with 200m shares traded by 1pm.

Stocks were sent reeling by Bell Atlantic's decision to terminate its planned $33bn acquisition of Tele-Communications after months of fruitless negotiations. The bellwether merger, the largest in US corporate history, was expected to spur the development of interactive communications services which were to form the foundation of a new "information superhighway".

Trading in Bell Atlantic shares was delayed at the opening because of an order imbalance. When it resumed, stocks climbed $2 to $54¾, after dropping in recent weeks amid mounting uncertainty over the deal's completion. On the Nasdaq, TCI's A shares sank $1⅛ to $23¾.

NYSE volume



Communications and cable-equipment companies which were to play a role in this new hybrid industry were particularly hard hit by the announcement, which was made after the markets closed on Wednesday evening.

General Instrument plunged $5⅞ to $44⅞ on volume of nearly 3m shares, against an average daily turnover of 438,000. The TCI supplier was stung by the company's subsequent announcement that it would cut in half its projected capital spending to $500m. Near midday, the company issued a statement saying that it believed the market was over-reacting.

Another TCI supplier, Scientific Atlanta, plunged $3 to $25⅝.

Latin America

Equities in São Paulo were down 7.2 per cent by midday on worries over the course of the government's economic programme. The Bovespa index was down 501 at 10,129.

● Buenos Aires opened sharply lower, following a 5 per cent decline in the Merval index on Wednesday. In early trading the index was off a further 6.3 per cent at 587.

● Mexican equities extended losses for the seventh straight session on foreign selling. The index was down 1.5 per cent at 2,531.97 in early trade.

Canada

Toronto fell sharply, depressed by the weak local currency and bond markets. By noon, the TSE 300 Composite index was 36.39 lower at 4,331.96 in volume of 11.1m shares, weighed also by fears of higher interest rates.

EUROPE

Volatile trading seen on the continent

The bond markets again had a heavy influence on trading yesterday, *writes Our Markets Staff*.

Merrill Lynch has dropped its exposure to lower interest rates as a major strategy theme. "The lack of a positive response to last week's rate cut [in Germany] adds weight to the view that rates are falling but everybody now expects it. We have reduced weightings in France and Spain and increased weightings in the UK, the Netherlands, Sweden and Norway".

FRANKFURT reiterated after Wednesday's gains with the futures market again providing most of the impetus to the day's activity. The Dax index tumbled 37.38 or 1.7 per cent to 2,090.20 and the March Dax contract by 65.5 to 2,083.0.

In the after market the Ibis indicated index lost 57.4 to 2,082.89.

The market seemed unmoved by inflation data from the state of Hesse which came in much within expectations.

Among individual issues, Man, which announced a fall in six-month group sales of 7.9 per cent and an increase in orders of 16 per cent slipped DM5 to DM420.

Bilfinger & Berger, the construction company, followed the broader market lower, losing DM8 to DM930, in spite of reporting that it expected to pay a dividend on 1993 results.

ZURICH tumbled 2.3 per cent, as it registered disappointment at results from SMH, the watchmaker, which had climbed strongly in the previous two sessions, and worries over the earnings outlook at Nestlé.

The SMI index fell 69.1 to 2,953.4, amid selling by foreign investors taking advantage of the strong franc. Results this morning from UBS are seen as crucial to setting the market's direction in coming days.

SMH registered fell SFr18 or 8.3 per cent to SFr198 in response to news, after the market closed on Wednesday, that 1993 group net profit rose by a smaller than expected 7 per cent. The day's fall more than wiped out the rises of the previous two sessions on news that Mercedes Benz was to co-operate in the development of the Swatchmobile.

FT-SE Actuaries Share Indices

Feb 24								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1478.19	1474.09	1467.02	1465.38	1458.21	1454.48	1455.22	1456.74
FT-SE Eurotrack 200	1526.95	1522.22	1517.83	1517.40	1508.88	1505.31	1507.38	1508.51
	Feb 23	Feb 22	Feb 21	Feb 18	Feb 17			
FT-SE Eurotrack 100	1493.10	1476.29	1483.51	1495.00	1516.66			
FT-SE Eurotrack 200	1537.95	1530.12	1538.13	1552.75	1568.15			

Base value 1000 (26/10/90); High/day: 100 - 1478.40; 200 - 1528.05 Low/day: 100 - 1451.05 200 - 1501.08

Nestlé shed SFr53 or 3.9 per cent to SFr1,296 after some analysts revised down their e/ps forecasts. Remarks by the company at a food conference in Arizona that it did not plan a share listing in the US for the time being also prompted some US sales.

UBS shed SFr21 to SFr1,451, giving up some of recent rises, as analysts suggested that anything less that a 60 per cent rise in 1993 profits would prove a big disappointment to the market.

PARIS reacted negatively to news of the Bank of France's 10 basis point cut in the intervention rate to 6.10 per cent, and then fell below the 2,200 level, before rising by the close. The CAC-40 index, which had seen a day's low of 2,178.24 closed off 43.71 or 1.9 per cent at 2,208.29.

Péchiney, which said that it was to cut aluminium output in Europe by 87,000 tonnes, lost FFr2.50 to FFr439.50.

Metaleurop, a division of Preussag of Germany, which saw a doubling of its losses in the 1992/93 period to end of September held steady at FFr89.50. The company commented that the worst might now be over.

AMSTERDAM suffered from disappointing results from Royal Dutch which left the stock down Fl 5.70 at Fl 202.70. This left the AEX index off 7.50 or 1.7 per cent at 418.31.

Unilever continued to be depressed by its poor results earlier in the week, the stock falling another Fl 6.00 to Fl 213.50, while Akzo softened Fl 7.50 to Fl 207.50 ahead of results expected out today.

Grolsch, the brewer, was, with Heineken, among the few stocks to go against the market, the former rising Fl 2.30 or 5.4 per cent to Fl 44.50 and the latter Fl 1.00 to Fl 229.50. Grolsch has signed an agreement with UK brewer Bass to produce and distribute its product in the UK.

MILAN continued on its downward path, swept along by the wave of selling elsewhere in Europe and with the forthcoming elections proving a further disincentive. The Comit index shed 14.06 or 2.1 per cent to 655.86.

BCI bucked the trend, picking up L137 or 2.4 per cent to L5,873, after its falls in recent sessions. Actinvest, an independent research group, expected the privatisation price, to be set tomorrow, to be around L5,000.

MADRID fell 1.6 per cent, depressed by weak bonds, and the general index shed 5.56 to 337.29.

Written and edited by John Pitt and Michael Morgan

Portugal is set to resume an upward path

Falling interest rates are encouraging further equity investment, writes Peter Wise

After soaring gains throughout 1993 and early this year, analysts have welcomed this week's correction on the Lisbon bourse as a means of cleaning up a market that was becoming dominated by speculation rather than serious investment.

"A market that moves up in virtually a straight line for more than a year cannot be considered healthy," says Ms Elizabeth Rothfield, an analyst with independent stockbrokers Midas Investimento. "A spell of profit-taking is needed to put the market back on a more realistic footing."

But the correction is unlikely to be dramatic. The Banco Totta & Acores index fell from a two-year high of 3,226.6 last Friday to 3,161.8 on Wednesday. Analysts will be satisfied if the correction reaches 5 per cent. But they are unsure prices will move down even that far.

Liquidity is driving the bourse forward. Interest rates on medium and long term government debt securities, the traditional home of Portuguese institutional investment, have fallen from 14 per cent last May to 8.5 per cent. As a result, an increasing proportion of portfolios has been channeled into equity.

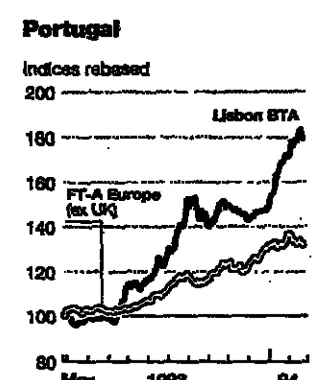
This weight of money of money drove the BTA index up by 59.6 per cent in 1993 to 2,614 and it has already put on a further 20 per cent this year. Analysts forecast a overall gain of 20 to 30 per cent in 1994 on a substantially higher turnover. Lisbon's trading volume rose by 97 per cent last year to Es2,849bn ($16bn) while the value of the market more than doubled to Es2,193bn.

This week's correction was triggered by a rise of 20 basis points in medium and long-term government debt rates after the Bank of Portugal failed to place all of a massive Es150bn issue of three, five, and 10 year paper. But the outlook is for a resumption of the downward trend in interest rates, which are expected to fall to about 7 per cent by December.

The fact that the domestic institutions, which now dominate the stock market, are more nervous than their foreign counterparts is also contributing to the current correction. But they are also so bullish about the market overall that they are more often looking for excuses to buy.

"When investors in Portugal start asking you about inflation rates in Japan or the latest budget news from the US it becomes clear that they are not overly concerned with the fundamentals of their own economy or the performance of the companies they are investing in," says Ms Rothfield. "They take the attitude that they must invest and are buying into good quality companies even though they may be overpriced."

Portugal



Source: FT Graphite

In fact, the outlook for the economy is relatively buoyant. After a recession in 1993 when output fell by an expected 0.75 per cent, the economy is likely to expand by about 1.5 per cent this year. Investors are already discounting forecasts of improved corporate performance in 1995, when gross domestic product growth could reach 3 per cent.

Mr Ernani Lopes, a former finance minister, this week told a London seminar that Portugal's main corporate problems over the medium term will be increasing competition in domestic and foreign markets, affecting market shares and profit margins. Industry will also undergo a radical restructuring process at both sectorial and company levels.

This will provide opportunities for takeovers of distressed companies and partnerships, he says. The shakeout will also produce portfolio investment opportunities, which will need to be based on adequate research and sound local advice.

After returning higher than expected profits last year, the banking sector, which accounts for 65 per cent of equity turnover, will face greater difficulties in 1994, including bad debt, stronger competition, decreasing spreads and the need to cut costs.

Mr Antonio de Sousa, secretary of state for finance, says that government plans to speed up the privatisation process will be a further stimulus. After completing the planned denationalisation of the financial sector, he believes the privatisation of industrial companies and public utilities this year will increase the equity market turnover of privatised companies from 31 per cent of the total in 1993 to more than 50 per cent this year.

● *Additional reporting by William Cochrane in London*

SOUTH AFRICA

Weak gold prices, local political uncertainty and Wall Street's performance kept Johannesburg under pressure. Golds fell 20 to 1,835, industrials 55 to 5,634 and the overall index 60 to 4,756. De Beers shed R4.50 to R97.50.

ASIA PACIFIC

Nikkei advances 2.2% as Hong Kong falls sharply

Tokyo

Reports that the US would tolerate a weaker yen depressed the Japanese currency against the dollar, and the Nikkei average closed up 2.2 per cent on active dealer and arbitrage buying, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 gained 423.65 to 19,765.48 after opening at a low of 19,389.24 and reaching a high of 19,792.28 in the afternoon session. The Topix index of all first section stocks rose 29.77 to 1,607.62 while the Nikkei 300 rose 5.68 to 297.52.

In London the ISE/Nikkei 50 index fell 6.62 to 1,328.22.

Share prices initially rose on strong buying by foreign investors, followed by arbitrage buying. Activity was triggered by the fall of the yen to the Y106 level on reports that Mr Lloyd Bentsen, the US treasury secretary, had made comments in favour of a weaker yen. A Japanese finance ministry official later denied the report in the early afternoon.

Mr Yutaka Nakai at Daiwa Securities said that share prices would remain stable ahead of the March 11 settlements for Nikkei futures contracts as long as the yen did not strengthen against the dollar. "Whether arbitrageurs will roll over their positions or not will depend on the currency."

Volume rose to 470m shares against 274m. Gainers overwhelmed losers by 975 to 94, with 108 issues remaining unchanged.

Hopes of a bottoming out in earnings boosted electronics issues. Hitachi, the most active issue of the day, rose Y18 to Y915 on foreign buying and Toshiba rose Y9 to Y747. Sony advanced Y160 to Y6,300. Reports that the company would sell Columbia, its movie company, at a profit also attracted buyers in spite of denials by company officials.

Nippon Suisan, the fishery group, rose Y26 to Y417 on reports that the company has developed a technology to refine a fatty acid found in fish oil believed to activate the human brain. Other fisheries were also higher, with Maruha up Y16 to Y376 and Nichiro adding Y17 to Y377.

Arbitrage buying supported bank stocks. Industrial Bank of Japan gained Y60 to Y3,260 and Fuji Bank rose Y80 to Y2,280. Brokers were also higher with Nomura Securities up Y60 to Y2,290.

In Osaka, the OSE average jumped 378.40 to 21,815.49 in volume of 66.9m shares.

Roundup

Some sharp falls were seen in regional markets.

HONG KONG finished 3.1 per cent lower on renewed selling triggered by the decision to press ahead with local political reforms. The Hang Seng index tumbled 331.21 to 10,432.02.

Most blue chips suffered from the late sell-off. HSBC Holdings, the most actively traded stock, slid HK$2 to finish at HK$115 while its Hang Seng Bank unit fell HK$2.50 to HK$70.50. Cheung Kong shed HK$1.75 to HK$43.50 and Jardine Matheson lost HK$3.50 to HK$68.50.

SINGAPORE fell 1.6 per cent in reaction to the government's failure to cut corporate taxes in the 1994-95 budget. The Straits Times Industrials index fell 38.67 to 2,385.24 but was off an intra-day low of 2,376.06.

SEOUL was dragged down by a sell-off of blue chips and worries about liquidity constraints. The composite stock index closed 17.86 down at 932.15.

MANILA declined for the fourth straight day, weighed down by the proposed doubling of a stock transaction tax. The composite index slid 39.94 to 2,956.27.

PLDT lost 45 pesos at 2,090 pesos after an overnight fall in New York while Philippine National Bank shed 15 pesos to 640 pesos.

TAIWAN gave up small early gains to close 1.7 per cent lower, undermined by a late plunge in shares of Formosa group firms in the wake of 1993 results from Formosa Plastics and Nan Ya on Wednesday.

The weighted index closed 98.48 down at 5,670.71, off a low of 5,647, in modest turnover of T$46.39bn.

Formosa Plastics ended T$2.30 lower at T$48.70 and Nan Ya lost T$3.50 to T$58.

AUSTRALIA finished lower amid worries about higher interest rates and some disappointment about recent corporate results and the All Ordinaries closed 21.9 down at 2,197.0.

NEW ZEALAND held firm, the NZSE-40 capital index hovering around its opening level throughout the day before some late buying tipped it 4.03 higher to finish at 2,269.26.

Fletcher Challenge rose 7 cents to NZ$3.33 following its half year profit announcement on Wednesday.

BANGKOK lost momentum on a lack of positive news coupled with fears of an upward trend in US interest rates. The SET index fell 11.11 to 1,419.54 in thin turnover of Bt6.8bn.

BOMBAY saw demand from investors under the mistaken impression that passenger fares and freight rates had been only marginally raised in the Railway budget being announced in New Delhi. The BSE 30-share index rose 85.44 to 4,114.22.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 23 1994								TUESDAY FEBRUARY 22 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	181.43	1.3	182.17	121.02	162.98	166.64	0.7	3.19	179.03	179.53	119.37	160.73	165.53	189.15	130.19	131.18
Austria (17)	186.60	0.9	187.36	124.47	167.62	167.44	0.9	0.95	184.94	185.46	123.30	166.03	165.86	195.41	139.63	147.93
Belgium (42)	166.29	0.4	166.97	110.92	149.37	145.82	0.4	3.94	165.68	166.15	110.46	148.74	145.29	169.08	140.99	143.33
Canada (107)	135.15	0.5	135.70	90.15	121.41	131.07	0.2	2.57	134.49	134.86	89.67	120.74	130.82	145.31	119.10	119.76
Denmark (32)	270.12	0.2	271.22	180.18	242.64	247.72	0.2	0.91	269.61	270.36	179.75	242.05	247.11	275.79	195.66	207.14
Finland (22)	149.10	-0.3	149.71	99.45	133.93	173.34	0.1	0.64	149.56	149.96	99.71	134.27	173.22	156.72	69.73	70.02
France (99)	177.83	1.0	178.56	118.62	159.74	163.77	1.1	2.84	176.06	176.55	117.38	158.06	162.07	185.37	149.60	157.81
Germany (59)	133.00	1.0	133.55	88.72	119.47	119.47	1.0	1.77	131.71	132.08	87.82	118.25	118.25	142.38	107.59	113.25
Hong Kong (56)	433.46	1.0	435.24	289.14	389.38	430.05	1.0	2.47	429.26	430.47	286.20	385.39	425.90	506.56	233.84	247.01
Ireland (14)	191.72	-0.1	192.51	127.89	172.23	190.55	-0.1	3.06	191.95	192.49	127.98	172.33	190.72	209.33	134.97	135.82
Italy (69)	74.99	-1.2	75.30	50.02	67.36	94.14	-1.2	1.79	75.88	76.09	50.59	68.12	96.25	78.93	55.21	59.18
Japan (469)	149.98	0.4	150.61	100.05	134.74	100.05	0.4	0.81	149.48	149.88	99.64	134.18	99.64	166.91	107.97	110.14
Malaysia (69)	539.03	4.6	541.24	359.56	484.21	566.09	3.3	1.29	515.19	516.64	343.49	462.53	549.82	621.63	271.48	271.48
Mexico (18)	2421.34	-1.9	2431.23	1615.12	2175.05	8247.87	-1.7	0.81	2468.33	2475.22	1645.66	2215.97	8399.03	2647.08	1410.30	1481.15
Netherland (26)	201.94	0.5	202.76	134.70	181.40	178.68	0.5	2.97	201.00	201.56	134.01	180.45	177.73	207.43	159.83	161.84
New Zealand (14)	71.63	2.9	71.93	47.78	64.35	65.75	2.8	3.53	69.61	69.81	46.41	62.50	63.95	77.59	44.74	45.53
Norway (23)	203.00	0.8	203.82	135.41	182.35	205.62	0.8	1.51	201.43	201.99	134.30	180.84	204.13	204.44	138.63	141.83
Singapore (45)	358.79	1.6	360.26	239.33	322.31	262.23	1.4	1.54	353.00	353.99	235.36	316.92	258.65	378.92	213.57	223.03
South Africa (60)	238.21	-2.4	239.18	158.89	213.98	244.96	-0.5	2.36	244.07	244.75	162.73	219.12	246.20	280.26	160.78	167.32
Spain (42)	148.01	0.8	148.61	98.73	132.95	157.52	0.8	3.72	146.79	147.20	97.87	131.79	158.22	165.79	116.33	123.02
Sweden (36)	224.76	-0.1	225.68	149.92	201.90	264.03	0.0	1.35	224.98	225.61	150.00	201.98	264.07	230.02	154.59	160.17
Switzerland (49)	168.21	1.1	168.90	112.20	151.10	151.51	1.2	1.46	166.46	166.92	110.98	149.44	149.64	176.56	109.14	111.37
United Kingdom (215)	202.06	0.1	202.88	134.78	181.51	202.88	0.2	3.55	201.81	202.37	134.55	181.18	202.37	214.96	163.23	166.08
USA (518)	191.51	-0.1	192.29	127.75	172.03	191.51	-0.1	2.74	191.73	192.27	127.83	172.13	191.73	196.04	176.91	177.41
EUROPE (745)	171.06	0.4	171.78	114.11	153.68	165.39	0.5	2.75	170.35	170.83	113.58	152.94	164.53	178.58	136.35	138.34
Nordic (113)	215.94	0.0	216.83	144.04	193.98	222.00	0.1	1.16	215.95	216.55	143.98	193.87	221.74	220.60	145.85	149.51
Pacific Basin (722)	161.65	0.6	162.31	107.83	145.21	112.16	0.6	1.08	160.69	161.14	107.13	144.26	111.52	168.80	113.86	115.40
Euro-Pacific (1467)	165.42	0.5	166.09	110.34	148.59	132.76	0.6	1.80	164.58	165.02	109.71	147.73	132.04	170.78	123.38	124.67
North America (625)	188.01	-0.1	188.78	125.41	168.89	187.36	-0.1	2.73	188.18	188.70	125.46	168.94	187.56	192.73	173.70	173.84
Europe Ex. UK (530)	151.01	0.6	151.62	100.73	135.65	143.08	0.7	2.24	150.08	150.50	100.06	134.74	142.10	155.73	119.31	120.83
Pacific Ex. Japan (253)	273.84	1.8	274.96	182.67	246.00	250.37	1.4	2.43	269.00	269.75	179.35	241.50	246.99	298.21	164.34	166.82
World Ex. US (1652)	166.84	0.4	167.52	111.29	149.87	135.92	0.5	1.81	166.11	166.58	110.75	149.13	135.26	172.51	124.49	125.78
World Ex. UK (1955)	171.34	0.2	172.04	114.29	153.91	148.53	0.3	2.00	170.92	171.39	113.95	153.44	148.14	175.58	139.95	139.95
World Ex. So. Af. (2110)	173.68	0.3	174.39	115.85	156.02	152.63	0.3	2.15	173.23	173.71	115.50	155.52	152.11	178.66	142.16	142.16
World Ex. Japan (1701)	188.59	0.2	189.36	125.79	169.41	184.89	0.2	2.69	188.24	188.76	125.50	168.99	184.50	195.20	160.66	160.56
The World Index (2170)	174.03	0.2	174.74	116.09	156.33	153.28	0.3	2.15	173.62	174.11	115.76	156.87	152.88	176.97	142.23	142.23

Latest prices were unavailable for this edition.